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What kind
of future?
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Coca-Cola
Bubbling in
Central Asia
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Today's survey
FT Exporter on
health products
Separate section

World Business Newspaper

WEDNESDAY MAY 6 1996

Roche hopeful on release of new Aids drug results

The Aids treatment Invirase should become one of the "top drugs" in a series of product launches planned by Roche, the Swiss drugs company, according to the chairman, Fritz Gerber. The company released new data which showed that when used with the company's older Aids drug Hivid, Invirase reduced the rate of Aids deaths "by more than two-thirds" compared with Hivid on its own. The director of the company's pharmaceuticals division, Franz Humer, said he expected Invirase to achieve SF200m-500m (\$160.9m-402.3m) in annual sales within five years. Page 16

Serb war crimes suspect brought to trial

Bosnian Serb Dusan "Dusko" Tadic (left) became the first person to face an international war crimes tribunal in the 60 years since the second world war. His lawyer told a UN court in The Hague that Tadic had no role in the camps where he is alleged to have killed, raped and tortured Moslems and Croats. Tadic is charged with crimes against non-Serbs at the Omarska, Keraterm and Trnopolje camps in north-west Bosnia in 1992. The trial is expected to last for several months.

UK opposition backs starting to join Euro: Britain's opposition Labour party took a significant step towards backing sterling's membership of a single currency in 1999, in a robustly pro-European speech by its finance spokesman, Gordon Brown. Page 14

Electrolux down 22% in opening quarter: Electrolux, the world's biggest manufacturer of household appliances, disappointed markets with a 22 per cent fall in first-quarter profits from SKR1.023bn in the first quarter last year to SKR797m (\$117m). Page 16; Lex, Page 14

Alitalia may shed 2,000 jobs: Unions and staff at Alitalia, the troubled Italian airline, are bracing themselves for the latest restructuring which could lead to as many as 2,000 job losses, according to a leaked outline plan. Page 16

EU farm ministers warn on trade pacts: EU agriculture ministers warned that the EU's policy on trade liberalisation pacts could undermine the Common Agricultural Policy and called for a more cautious approach to free trade areas. Page 5

Call for separate anti-trust body: Giuliano Amato, the former Italian prime minister and head of the country's anti-trust authority, has backed German proposals to establish an independent European anti-trust body. Page 3

Aid donors agree to new results strategy: Leading aid-donor countries agreed on a new results-oriented strategy designed to focus less on the monetary level of their development assistance and more on the economic and social impact of that aid on poor countries. Page 4

Commerzbank, Germany's third largest commercial bank, aims to lift its return on equity from 8.6 per cent last year to 15 per cent by the end of the century, its chairman, Martin Kohlhausem, said. Page 16

BP posts record first term: British Petroleum's profits lifted 37 per cent in the first quarter with net profits on a replacement cost basis increasing from £461m to £633m (\$586m). Page 15

Lloyd's of London was thrown into fresh difficulties after the Securities and Exchange Commission, the US securities regulator, appeared to give a significant boost to US Names seeking legal redress for their losses. Page 14

Daewoo sets aims for Polish offshoots: Daewoo, the South Korean industrial conglomerate, expects to export \$1.5bn worth of cars and components a year from its Polish subsidiaries within three years, according to Kim Woo Choong, the group's chairman. Page 5

Coca-Cola & Schweppes Beverages wants to pump up to 300 cu m of water (900,000 litres) a day from its newest water source - 100 metres beneath its north London factory - to use as the main ingredient in Oasis, its upmarket adult soft drink. Page 9; Coca-Cola's investment to double in central Asia, Page 5

Digital Equipment, the US computer group, held the first "cybercast" news conference on the Internet to introduce new software products and announce the formation of an Internet software business unit. Page 18; Lex, Page 14

STOCK MARKET INDICES		
New York Composite	5,417.34	(+48.97)
Dow Jones Ind. Av.	5,417.34	(+48.97)
NASDAQ Composite	1,163.09	(-5.29)
London: FT-100	2,729.23	(+10.62)
Nikkei	21,495.26	(+167.18)
US LIBOR RATES		
3-month	5.12%	
6-month	5.12%	
12-month	5.12%	
OTHER RATES		
US 3-mo interbank	5.12%	
US 10 yr. gov. bond	5.12%	
Germany 10 yr. gov. bond	5.12%	
Japan 10 yr. gov. bond	5.12%	
NORTH SEA OIL (Argus)		
Brent Dated	\$20.03	(19.43)

Alexis	LEK 220	Germany	DMA100	Ukraine	Ls 15.00	Qatar	QR13.00
Austria	St 27	Greece	D400	Lux	Lfrs	S.Arabia	SF112
Bahrain	Dn 250	Hong Kong	HK300	Malta	Li 160	Singapore	S\$4.30
Belgium	Bfr 35	Netherlands	F200	Mexico	MP218	Slovak Rep.	Sk 65
Denmark	Lkr 300	Ireland	Kc 250	Norway	Nkr 4.75	S. Africa	R12.00
Dominican Rep.	D 100	India	Inr 25	Poland	zlotych	Spain	Ptas 200
Finland	Fmk 5	Indonesia	Rp 1,000	Sweden	Kron 8	Switzerland	Sfr 70
France	FFr 65.49	Japan	Yen 100	Taiwan	NT\$ 20	UK	£1
Germany	DM 100	South Korea	Won 200	Turkey	Liras 1.750	USA	\$1
Italy	Lira 1,337	Singapore	S\$ 1.00	Ukraine	Lvs 15.00		
Japan	Yen 100	Taiwan	NT\$ 20				
Netherlands	Fl 100						
Norway	Nkr 4.75						
Poland	zlotych						
Portugal	Escudo						
Romania	Lei 100						
Russia	Rub 100						
Spain	Ptas 200						
Sweden	Kron 8						
Switzerland	Sfr 70						
Taiwan	NT\$ 20						
Turkey	Liras 1.750						
UK	£1						
USA	\$1						

Madrid trims rate by 1/4-point

By Tom Burns in Madrid

The Bank of Spain cut its benchmark interest rate by a quarter-point yesterday, signalling a guarded endorsement of the policies of Mr José María Aznar's new centre-right government.

The new rate of 7.5 per cent, down from 7.75 per cent, was fixed as Mr Aznar, who was sworn in as prime minister at the weekend, held his first cabinet meeting and announced the creation of a budget office to curb public spending.

Analysts said there had been room for a more ambitious cut but that the Bank of Spain, which operates independently of the government, was apparently awaiting details of the government's cost-cutting mini-budget this week.

Central bank acts cautiously in advance of cost-cutting announcement by government

Any further cut was also likely to depend on April's inflation rate, on which figures will be released next week.

The economic package is aimed at cutting planned spending during the current fiscal year by about Pta200bn although final savings, including reduced civil service costs, could be closer to Pta500bn, 0.4 per cent of gross domestic product.

Mr Francisco Alvarez-Cascos, one of the two deputy prime ministers in the new Popular party government and responsible for Mr Aznar's office, said the rate cut was "prudent and necessary".

It came as the government announced a surprise choice to head the budget office, a new department overseeing all government spending and reporting directly to Mr Aznar.

Mr José Barrea, a retired economics professor who held a senior post in the Spanish treasury 30 years ago, was selected for the job.

Mr Barrea's appointment suggested that Mr Aznar plans a thorough overhaul of what the liberal wing of the Popular party considers an unsustainable welfare system.

In a controversial research doc-

ument sponsored by Banco Bilbao Vizcaya, a leading domestic banking group, Mr Barrea warned last year of the impending bankruptcy of the state pension scheme unless radical measures were taken to reduce its costs.

Mr Aznar has pledged to keep pensions indexed to inflation and to maintain their purchasing power according to the guidelines laid down by the previous Socialist government.

But in what will be central to the new government's drive to reduce the budget deficit, the prime minister is due to meet trade union leaders next week to

negotiate a new framework for social spending.

Mr Cristóbal Montoro, a strong believer in fiscal rectitude who was the Popular party's economic spokesman in the previous parliament, was yesterday appointed secretary of state for the economy, one of four junior ministers under Mr Rodrigo Rato, economy, finance and trade minister, who is also a deputy prime minister.

The other senior members of Mr Rato's team are Mr José Folgado, chief economist of the employers' federation, who was appointed secretary of state for the budget; Mr Juan Costa, an accountant and Popular party member of parliament, appointed secretary of state for finance; and fellow MP Mr José Fernández Norziella, a businessman who becomes secretary of state for trade.

Ruling Congress party records worst general election reverse, according to exit polls

India set for hung parliament as Hindu party gains

By Mark Nicholson in New Delhi

The Hindu nationalist Bharatiya Janata party is set to become India's biggest political party after the ruling Congress party recorded its worst ever electoral reverse, according to an exit poll last night.

The poll suggested that the general election which ended yesterday would return a hung parliament. If vote counting in the next couple of days confirms this trend, the BJP is likely to be given an opportunity to form a government.

The poll indicated that the BJP would win 192 seats in the 545-seat Lok Sabha assembly, with Congress falling from 259 in the last parliament to a record low of 142 seats, 13 below its previous worst performance in 1977.

The "social justice" Janata Dal and its leftist allies were seen as winning 134 seats, with 67 won by numerous smaller regional parties and independents. Political analysts said the survey, based on responses from 17,000 voters, was subject to a 10 per cent margin of error.

The BJP has campaigned on a platform of "cultural and economic nationalism". Although it says it welcomes foreign investment in infrastructure and high technology, it would not encourage overseas companies to move into consumer goods or areas of the economy dominated by small local producers.

The exit poll indicated swings nationwide against Congress, which, under the leadership of Mr P. V. Narasimha Rao, has implemented a far-reaching economic liberalisation programme in the past five years. The poll suggested Congress had fared poorly in its previous southern strongholds. It forecast the loss of all but one of 28 seats it held in



Mother Teresa walks past a line of missionary sisters at a polling station in Calcutta after voting in yesterday's Indian elections

Madras state and suggested Congress would also drop seats in Maharashtra, Andhra Pradesh and Karnataka.

However, the BJP's gains would still leave it 80 seats short of a governing majority. Many analysts believe the party will have difficulty putting together a majority coalition, even though it can count on support from some regional parties.

Through India's president is likely first to ask the biggest

party to try to form a government, the strongly secular Congress, together with leftist and social justice parties, is more likely to succeed in forging some form of coalition government.

Should Congress' final tally fall into the range suggested by the

Continued on Page 14

Sign of Russian split over expulsion threat in spy row

By Jimmy Burns in London, Bruce Clark in Birmingham and Sander Thoenes in Moscow

The Russian government was in apparent disarray last night over its threats to expel up to nine British diplomats in a spy row, with conflicting signals from the administration.

Britain last night delayed threatened retaliatory action after signs of the split emerged.

The UK foreign secretary, Mr Malcolm Rifkind, welcomed what he claimed were signs that the Russian foreign ministry was trying to defuse the crisis in spite of the continuing hard line of the Russian counter-intelligence agency, the federal security service (FSB).

"We welcome the fact that the Russian government is discussing its concerns with us," said Mr Rifkind in Birmingham, central England, during a European ministerial meeting on defence.

He was speaking after receiving an initial report of a meeting in Moscow yesterday between the UK ambassador Sir Andrew

Wood and the Russian foreign minister, Mr Yevgeny Primakov.

Earlier yesterday the FSB linked nine unnamed UK embassy staff to a Russian civil servant arrested last month on suspicion of spying for the UK. Up to four of those are thought to include senior diplomats.

According to the FSB, the Russian official was arrested on April 27th, after providing the British intelligence service MI6 with highly classified and important political, strategic and defence information.

UK officials said the Russian side had sent a confusing mixture of signals over the last 48 hours. In response, London wanted to give Moscow time to scale down the "blatant" proportions of its initial announcement, one UK official said.

The British intelligence services have drawn up lists of suspect Russian spies in London who would be expelled as part of any retaliatory move.

However, diplomatically, the foreign office has no wish to change its policy towards

Moscow, which is based on encouraging Russia's emergence as a country where "reversion to Soviet-style tactics" is no longer conceivable.

UK officials were reacting yesterday to the moderate tones emanating from Russian foreign ministry spokesman Mr Grigory Karasin, who said that while no country would tolerate its citizens spying for a foreign agency, there should not be any "over-emotional reaction and hasty decisions".

Mr Karasin added: "We think the most important thing is to be very calm and to sweep away all emotions and not let the negative impact of what has happened influence the very good spirit of Russian-British relations."

In Birmingham, Mr Rifkind said that Russia had not provided any evidence to substantiate its earlier claims about the arrest of a Russian citizen allegedly working for the British.

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Fire fails to halt Crédit Lyonnais dealing

On the fringes of Paris, surrounded by nondescript modern apartment blocks, Crédit Lyonnais' makeshift new dealing room for interest rate and currency markets has a very different feel from its predecessor in the elegant Opéra district.

A sheet of A4 paper Sellotaped to the wall points the way to the room in the basement of an office building in the northwestern suburb of Levallois-Perret. The 50m-long chamber is floored with coarse blue carpet-tile.

But there is extraordinary activity in these unimpressive surroundings, given that virtually no one was working here prior to Sunday's fire which ravaged the state-controlled bank's elegant 19th-century Paris headquarters.

The fire rendered the bank's

David Owen reports from Levallois-Perret, the Paris suburb where the bank has set up shop after Sunday's blaze destroyed its HQ

dealing room unusable, and triggered a scramble to implement contingency plans to minimise disruption to trading operations.

Those plans appear to have worked. Yesterday morning, little more than 48 hours after the fire broke out, around 70 dealers were calmly conducting business from 50 workstations bristling with the latest electronic technology.

Along one side of the room, scores of additional digital speaker phones were awaiting installation. "By Monday morning, there will be 160 people working here and it will be business as usual," said Mr Marc Poli, the bank's director

of interest rate and currency markets. Mr Poli estimated traders already installed were managing to conduct about 70 per cent of their normal business.

The bank's response to the fire began at 10.30 on Sunday morning while the building was still burning, when an eight-strong crisis committee met in central Paris to review the position. Numbers swelled to about 25 as the day wore on and the fire engulfed part of the city in thick black smoke.

By 6pm, they had moved out to the premises at Levallois-Perret, where the bank maintained a battery of 50 back-up trading stations. A team of

technicians worked through the night to ensure that these stations were fully operational. "I didn't sleep on Sunday, but yesterday I slept very well," Mr Poli says.

He acknowledges that the new dealing room is in less elegant surroundings than the one that was destroyed, but argues that it is already proving more efficient because the technology is state-of-the-art.

One of the bank's derivatives traders agrees. "At the end of the day we have much better equipment here," he says. "And, besides, it's cheaper to park."

Another dealer says she is "amazed" at how quickly the

operation has got up and running. "I have traded FF¥200m [£40m] this morning," she says. "That's the usual volume on a good day."

Mr Poli says present arrangements are only temporary and that the bank will move to a new dealing room, "probably near Opéra" in about six months' time. He estimates the cost of getting Levallois-Perret properly up and running at FF¥3m-FF¥5m. And for the next two weeks 500 headquarters staff have had to be put on short time.

Of course, there have been teething troubles. There are not enough toilets. And no stationery arrived until Monday

evening. Yesterday morning a subject of concern was a shortage of calculators. But, on balance, Mr Poli and his team can be well pleased.

Spare a thought, though, for the owner of the Gramont café just up the road from the bank's fire-ravaged headquarters. According to Mr Poli it was something of a tradition for his traders to buy their morning coffee there.

"He has probably lost 50 per cent of his business," he says. "In fact, the guy who is probably losing the most money from all of this is the owner of the Gramont café." At the Gramont café last night, Mr Laurisergues Baptiste confirmed that the café had indeed suffered a serious loss of business. "Perhaps not 50 per cent, but there is a lack of customers," he said.

EUROPEAN NEWS DIGEST

Insurance fraud at least Ecu8bn

Insurance losses from fraud are costing at least Ecu8bn (\$9.9bn) a year, or about 2 per cent of premium income, according to a study yesterday by the CEA, the body which represents European insurers' trade associations. The CEA believes the problem is growing in all European countries with insurance fraud, like tax avoidance, "considered to be a sort of profitable sport for the cleverest".

But the CEA suggests there is insufficient desire within the industry to combat fraud and that, because the industry does not stress the "criminal nature" of fraud, the public does not believe insurers regard it as a priority.

The committee's survey finds motor insurance is the sector most affected by fraud, followed by fire and household, then theft, life, health, transport and marine insurance. It suggests fraud may be as high as 10 per cent of premium income in some sectors and countries.

Ralph Atkins, London

Milan to sell power supplier

Milan has become the latest Italian city to take steps to privatise its local utilities. The city council has approved measures to transform AEM, the local gas and electricity supplier, into a joint stock company. Mr Marco Formentini, Milan's mayor and one of the leading politicians in the separatist Northern League, said yesterday the council would sell 49 per cent of AEM on the stock market this year.

Investors would be limited to a maximum shareholding of 0.5 per cent.

Turin is seeking strategic industrial partners for its electricity and heating utility, AEM Torino, in which the city will keep a controlling stake. Milan is likely to name a financial adviser for the float within the next six weeks, while Turin is now seeking to appoint a global co-ordinator for its sale.

The city of Genoa, advised by Paribas, is one of the most advanced in its plans for privatisation. Its council recently approved the flotation of AMGA, the local water and gas utility, later this year.

Andrew Hill, Milan

Progress in France Télécom row

The French government yesterday appeared to have won some union acquiescence for a partial privatisation of France Télécom by pledging to give civil servant status to those hired by the utility until 2002, and to take over financial responsibility for the utility's pensions.

While the unions continued to question the need for the partial sell-off, most said they were satisfied by the government's latest concessions and only two, the pro-communist CGT and SUD-PTT, reiterated their threat of strike action.

Mr François Fillon, the telecommunications minister, has released a draft bill to incorporate France Télécom as a regular company by the end of the year, with the aim of selling 49 per cent to investors, including up to 10 per cent to utility employees. In return for shedding its pension burden, France Télécom will have to pay the government a sum calculated to put it on an equal footing with operators entering the French market in 1998.

David Buchan, Paris

EU pursues pact on electricity

European Union energy ministers are likely to hold a special meeting in Luxembourg next month to decide the extent to which electricity markets should be opened up to cross-border competition. A ministers' meeting in Brussels yesterday ended without agreement on the extent of market liberalisation, or a proposed timetable.

But ministers moved a step closer to a common position on a four-year-old proposed directive, with agreement in principle on some operational details of a liberalised market, including the public service obligations member states could impose on electricity companies.

Italy, which holds the presidency of the council of ministers, said it was "optimistic" agreement could be reached before the end of its presidency in June.

Other states are expected to hold bilateral meetings with Italy on the extent and timetable of market opening, which could be ratified at a special meeting before the EU heads of government summit in Florence.

Neil Buckley, Brussels

Hungarian trade gap widens

Hungary's trade deficit was higher than expected in the first quarter, owing to extra energy imports resulting from one of the country's coldest winters on record. But trade officials insist the target of a \$2bn deficit for the whole of 1996 can still be met.

The January-March deficit reached \$327.6m, against \$390m in the same period last year, following a 6.1 per cent increase in exports in dollar terms to about \$2.5bn, according to preliminary government figures. Imports stagnated at around \$2.7bn, with energy accounting for 13.6 per cent. Exports of goods only assembled in Hungary shot up 25.7 per cent, accounting for \$239.5m of the total. Developing countries were Hungary's most important trading partners, accounting for 74 per cent of total exports and 69 per cent of imports. Sales to the former east bloc fell slightly to 22 per cent, while imports rose to 25 per cent of the total.

Virginia Morsh, Budapest

Greek inflation rises to 9.2%

Greece's annual inflation rate rose in April from 9.1 to 9.2 per cent, reflecting higher food and fuel prices, the national statistics service reported yesterday.

Inflation jumped by 1.3 per cent between March and April, despite government efforts to hold down prices of meat and fresh produce over Easter and impose ceilings on petrol prices. Inflation has quickened steadily from 8.1 per cent in January, but a Greek economy ministry official played down the rise, saying it was "due to factors such as a harsh winter and a stronger US dollar and does not represent an increase in underlying inflation".

Karin Hope, Athens

ECONOMIC WATCH

Belgians agree budget savings

Belgian officials have reached agreement on BF25bn (\$301m) of economies that should enable the government to lower its budget deficit to 3 per cent of gross domestic product this year, on the back of encouraging unemployment figures. Unemployment fell to 13.4 per cent in April from 13.7 per cent in March and was unchanged from 13.4 per cent a year earlier. The number of jobless rose to 481,121, up 1,260 from March and up 3,424 from a year earlier. The social security system is to contribute

BF10bn of the planned savings, while BF7bn are to come from non-fiscal revenues and the rest from other areas of the budget. The government had hoped to meet the 3 per cent deficit target required by the Maastricht treaty with its original 1996 budget, but lower than expected growth reduced revenues.

● The European Union's consumer price index rose 0.4 per cent in March from February. Year-on-year it rose 2.7 per cent in March, unchanged from its February year-on-year level.

● Italian retail sales in January rose 6.7 per cent from a year earlier, with sales in large outlets up 6.1 per cent.

● Ukraine said its monthly inflation slowed to 2.4 per cent in April from 3 per cent in March.

Spy affair points to strains at the heart of Russia's foreign relations

KGB's heirs burst out of shadows

By John Thornhill and Sander Thomas in Moscow and Jimmy Burns in London

The international furor over the arrest of an alleged spy and the threatened expulsion of several British diplomats from Moscow has catapulted Russia's FSB, heir to the KGB, back into the headlines.

From one perspective, it is possible to argue that the FSB is just doing its job. Britain continues to spy on Russia, just as Russia spies on Britain, and the FSB, which is responsible for counter-intelligence activities, may have simply caught their man.

Nonetheless, President Boris Yeltsin appears grateful for the opportunity to bang the nationalist drum and to be seen defending Russian national interests ahead of next month's presidential election.

Mr Yeltsin wants to show the Communists they are wrong and he is not the agent of western leaders," says Mr Sergei Markov, a political analyst at the Carnegie Endowment for International Peace.

But the scale of the threatened Russian response to the single case of spying and the confusion that appeared to prevail yesterday between the FSB and the foreign ministry suggests there is rather more to the affair.



Meanwhile, in another part of Moscow... Mr Andrew Carter (right), deputy head of the UK mission, arrives for the graduation of Russian military officers who took part in a Russian-British programme of retraining for civilian life

western intelligence sources as hardline and nationalistic, and cool to western attempts to co-operate over matters of mutual interest.

He is known to be particularly close to General Aleksandr Korzhakov, head of Kremlin security, who caused a storm of protest this week by airing his view that the presidential elections should be postponed.

Since the Cold War, western intelligence agencies have tried to build bridges with their counterparts in the former Soviet bloc. They have begun to share resources on issues of common concern, such as drug-related money-laundering, counter-terrorism, and information about the sale of sensitive nuclear material to potentially unpredictable third world countries.

But Russia has remained more resistant to the trend than former Soviet satellite

countries such as Poland, Hungary and Ukraine.

The FSB's sister organisation, the SVR, which is responsible for intelligence gathering abroad, has seemingly stepped up its activities - on Mr Yeltsin's orders - particularly in industrial espionage.

"It is basically the old organisation given new form and remaining very, very active," said one western intelligence source yesterday.

A recent UK parliamentary report concluded that the resources of both MIs and MIE - respectively Britain's foreign and counter-intelligence agencies - needed to be increased to tackle the intelligence threat posed by Russian espionage. MI6 officials told the committee the agency had reduced its operational effort on Russian and other former Soviet states by two-thirds since the end of the Cold War.

But, while Mr Barsukov may wish to give the FSB a harder edge, he still has some way to go before he can rival the KGB's omnipresence within Russia. "The FSB is a little stronger than it used to be but it is nothing like the KGB," says one Russian analyst. "Most people have left and it is hard to get back the same esprit de corps."

President Boris Yeltsin yesterday reassured his US counterpart, Mr Bill Clinton, that Russia's presidential election would be held on schedule on June 16 despite widespread fears it might be postponed, writes John Thornhill. In a 20-minute phone conversation, Mr Clinton said he viewed the election as important for establishing "another milestone in the path to democracy" in Russia.

"President Yeltsin could not have been more direct in saying he considers a free and fair election one of his constitutional responsibilities as president of the Russian Federation," a White House official said.

Mr Yeltsin, still lagging behind the Communist party candidate in most opinion polls, yesterday hinted he might still be able to strike a compromise with Mr Grigory Yavlinsky, the presidential aspirant from the liberal Yabloko movement. Russian political commentators have speculated that Mr Yavlinsky might yet support Mr Yeltsin in return for becoming prime minister in a second Yeltsin administration.

As a recent British secret service report noted: "In Russia the process of democratic reform within the security and intelligence agencies is not so far advanced as among her former allies in the Eastern bloc."

France backs UK on stronger WEU

Mr Malcolm Rifkind, the UK foreign secretary, won support for Britain's work as holder of the WEU's rotating presidency to equip the defence organisation with a crisis-monitoring capacity and intelligence centre.

But Mr Herve de Charette, his French counterpart, said European self-sufficiency in defence should go beyond the so-called Petersberg tasks - humanitarian and peacekeeping missions - which the WEU is preparing to undertake.

"We want Europe to have the foreign policy of a respected power which can act militarily if necessary," said the French minister, whose

government shares with Germany the long-term aim of merging the WEU and the European Union.

"The EU must organise itself to cope with the Petersberg tasks and not only those tasks," he added, citing the need for firmer guarantees of access to military assets now assigned to Nato.

France and Britain agreed in rebuking the European Union's external affairs commissioner, Mr Hans van den Broek, for floating the idea that EU members should organise a peace-keeping effort in Bosnia next year.

Aides to Mr Rifkind said the EU commissioner had been

"absolutely out of line" in making a proposal that could gratuitously alienate the US, leading power in the 60,000-strong Nato force now in Bosnia.

Mr de Charette reaffirmed the French and British line that all the western powers involved in the Nato mission should leave together, and he said it was none of the Commission's business to comment on Nato matters.

"As they say in the country-side, everybody should do his own job, and then the cows will be well kept," he added.

The French minister insisted that the EU should provide both the political authority and the finance for European-only

military missions, as part of an increasingly robust external policy which could use force as well as dispensing aid.

In line with its reluctance to endow the EU with any authority over military matters, Britain insists the EU and the WEU should remain autonomous organisations, albeit with close operational links.

Mr Klaus Kinkel, German foreign minister, said British and continental European opinions on the WEU's long-term future remained far apart but British officials welcomed the fact that German ministers played down these differences during the Birmingham talks.

France yesterday backed British efforts to strengthen the Western European Union, but called for the upgrading of Europe's defence club to go much further still.

At a meeting in Birmingham of the 10-nation WEU and 17 associated countries, France and Britain also joined forces to denounce vigorously a proposal for a European-only force to be sent to Bosnia next year.

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Habitat's move into Italy challenged

By Andrew Hill in Milan

A tiny Italian furniture manufacturer has thrown down a challenge to Habitat, the stores group founded in the UK by Sir Terence Conran, by claiming it cannot use its well-known trademark in Italy.

Habitat opened its first home furnishings stores in Italy last month and plans to open six more by the end of May as part of a joint venture with the Italian retailer La Rinascente.

Galliano Habitat, based near Turin, has won a provisional court order preventing Habitat Italia using the name. On Friday, Habitat, which is investing £500m (\$81m) in its Italian venture, will have its first chance in court to respond to its tiny rival's claims.

"We've made enormous investments

in this name and my father has devoted his life to this company," says Mr Mauro Galliano, who employs 30 people manufacturing, distributing and retailing modern furniture and home furnishings. "This confusion is causing us great damage and could damage them."

The unexpected hiccup in Habitat's expansion plans is only the latest example of an international company being taken to court by a small but persistent namesake. Last year Eurostar, a small French delivery and courier company, challenged the French national railway company to give up the name Eurostar for its heavily promoted Channel tunnel service. The case was settled out of court, but only after an embarrassing initial ruling which outlawed the Eurostar trademark.

The Italian legal action has not held

up the launch by Habitat of three stores in and around Milan and another in Bergamo, but it has irritated the group's managing director in Italy, Mr Matteo Rignano. He says Habitat first registered the brandname in Italy in 1989 and will "fight to the death" to defend it.

Mr Galliano's father started using the name Galliano Habitat in 1971 when he decided his company's future lay in modern furniture. Mr Galliano claims a local teacher thought up the name. Galliano Habitat argues that the larger group's right to use the trademark lapsed because it had no direct presence in the country.

This is not a view that carries any weight with Mr Rignano. "Claiming that a company like Habitat doesn't

have the right to use the trademark just because they [Galliano] opened a shop with the same name, is absurd," he says. He claims Habitat's research threw up hundreds of Italian companies using the name Habitat, from manufacturers to magazine publishers, and it would have been impossible to contact them all.

Habitat, which is now controlled by the Stichting Ingka Foundation, owner of the Ikea furniture stores, is likely to point to the Italian clients on its mailing list and exports to Italian addresses as evidence that its name was already well known in the country.

Mr Galliano says Habitat did contact Galliano Habitat before the March 1995 agreement with La Rinascente was announced but then broke off talks. "We have the impression they then pretended to forget about us," he says.

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Rome backs German competition proposal Italy seeks separate EU anti-trust body

By Robert Graham in Rome

Mr Giuliano Amato, the former Italian prime minister and head of the country's anti-trust authority, yesterday threw his weight behind German proposals to establish an independent European anti-trust body.

Delivering the annual report of the Italian anti-trust authority, Mr Amato said the creation of a supra-national European structure separate from the Brussels Commission was essential to tackle more efficiently specific cases of anti-competitive activity.

The former Socialist prime minister said such a body would provide the necessary separation of roles between monitoring the strict application of EU law in specific instances and that of the Commission "which would be responsible for broader policies, the compliance of member states with policy directives and in particular with the development of mechanisms to promote competition policy".

He said he envisaged the main need for the new body

would be the areas of abuse of dominant position in the market and preventive monitoring of mergers that might lead to monopolies or near monopolies.

This is close to Germany's view, already made known to the Commission. Mr Claus Dieter Ehlermann, a former senior German official in the Commission, is currently working on details of a European anti-trust authority. The Commission itself still has reservations about the move in the present circumstances, but regards the establishment of such a body as almost inevitable in the longer term.

Italy's move represents one of the country's most forthright EU policy initiatives. Mr Amato has been encouraged to act because EU legislation in February allowed national anti-trust authorities to intervene in anti-competitive practices with measures that had cross-border consequences.

Recently the Italian authorities intervened in a landmark case involving Mannesmann AG, the German industrial

conglomerate. Following Mannesmann's takeover of subsidiaries belonging to Italmont, the Italian engineering group, the anti-trust authority ruled this created an internationally dominant position in the design and manufacture of plants for making seamless steel pipes. As a result, Mannesmann agreed to take measures to ensure other operators were not barred from entering this sector in Italy and the rest of the EU.

Mr Amato was scathing in his report about the speed of privatisation in Italy over the past four years. He also underlined a number of initiatives undertaken during 1995, including the examination of 47 cases of abuses of market position and 378 mergers.

Mr Amato made a further attack on the state-dominated telecommunications sector for resisting moves to liberalise. Almost single-handed, he has been prodding Stet, the state-controlled telecoms group on the privatisation list, to drop restrictive practices and allow more competition.

Balkan 'highway of unity' reopens

By Laura Silber in Lipovac, Croatia

The Zagreb-Belgrade motorway, once a road artery between western Europe and the Middle East, reopened yesterday for the first time since war erupted in Croatia after it declared independence from Yugoslavia in June 1991.

Once jammed bumper-to-bumper with lorries, tourists and gaspohers or migrant workers, the motorway was nearly deserted for five years, used only by military vehicles in olive drab or the good Samaritan white of the United Nations. Foxes, ferrets and hawks flourished in the absence of traffic, starting the occasional traveller.

Yesterday's re-opening of the road and the Adriatic oil pipeline - which runs 570km from the Croatian port of Rijeka to the Serbian town of Pančevo - is seen as one of the most important steps towards reconciliation between Serbia and Croatia, the key players in the war for the spoils of Yugoslavia.

Officials from Croatia and Serbia and a crowd of reporters watched as US General Jacques Klein, the transitional UN administrator of eastern Slavonia, the last Serb-held part of eastern Croatia, cut a ceremonial blue ribbon. "This is a wonderful day. We have just



Serbian and Croatian customs officers seal the opening of the Zagreb-Belgrade motorway

flag. For Serbs, the flag - which had been the coat-of-arms of the pro-Nazi Croatian independent state in 1941 - brings bad memories of the second world war.

The road will be open for international traffic, not yet for Serbs and Croats, whose countries have not established full diplomatic relations. The UN said rail links could be re-established by the end of May. Anthony Robinson in Zagreb adds: Mr Borislav Štrogovič, the deputy prime minister, welcomed the reopening of the highway and oil pipeline link with Serbia. "Reopening these links has both symbolic and practical significance. It means *de facto* Serbian recognition of our borders, will restore transit traffic and contribute to re-establishing normal economic relations with our neighbour," he said.

The greatest boost for the Croatian economy, however, came with the reopening of road and rail links between central Croatia and the Adriatic ports.

"Access to the ports has lowered costs for industry and opened up the Dalmatian coast for tourism which is a big source of revenue from alcohol, tobacco and petrol taxes as well as hard currency," he said. The Croatian economy should now grow by 6-7 per cent in 1996, he added.

opened the oil pipeline and the highway. It is fantastic." Under the peace agreement reached in Dayton in November, the region - scene of some of the bloodiest battles in the Serbo-Croat war and now inhabited mostly by Serbs - will be under interim UN rule for a maximum of two years until it returns to Croatian control.

The "Highway of Brotherhood and Unity", as it was called in communist Yugoslavia, was built by youth brigades from all over the former federation of six republics. A testimony to Europe's will to hold the country together, in spite of the signs that it was hurtling towards war, was that on June 26 1991 - the day the republics of Croatia and Slovenia declared independence - the European Community granted \$800m towards the

completion of the roadway in the south of Yugoslavia. Burnt-out houses and stretches of road torn up by mortars and tanks along the way bear witness to the six-month war waged by Serb rebels, backed by Belgrade.

Behind the scenes, peace had not quite taken hold. The Croats complained that the UN at first did not let them hoist their red and white checkered

Albanians in tune with Greek needs

Mr Albin Shehu, a pianist and composer, joined other students of the Tirana Fine Arts Institute on a walk across the mountain border of his native Albania to Greece in 1991. "After a few months dish-washing, I was hired to play the accordion in a night club band. As soon as I could speak

Greek, I started giving piano lessons," said Mr Shehu. The path travelled by Mr Shehu and his friends has been a familiar one for Albanians since the total economic collapse that followed Tirana's emergence from 45 years of Stalinist self-isolation. Because of high unemployment and rapid population growth in Albania, Europe's poorest country, the flight to Greece continues.

But few migrants can expect to win acceptance as easily as Mr Shehu and his fellow musicians. Thanks to their popularity with Greeks, the musicians have found permanent jobs faster than most of the 900,000 Albanians working in Greece - equivalent to nearly 10 per cent of the Greek workforce.

The Albanians are by far the biggest group of migrant workers, drawn mostly from eastern Europe and Asia. "There are about 60,000 Poles, 40,000 Bulgarians, Romanians and Russians, 40,000 Filipinos and probably another 50,000 Africans and others. But all these figures are rough estimates and the real numbers could be "considerably higher", says a Greek trade union official.

Most immigrants work in Greece's fast-growing black economy, equal to at least 35 per cent of gross domestic product. Some have joined the legitimate economy by providing skills and services in short supply: many Poles work as welders and carpenters, while Filipinos receive work permits because they are considered indispensable as hospital workers and domestic helps.

An economy ministry official says: "Migrants have helped keep down wage costs, especially in construction and agriculture where there's a severe labour shortage. They are accepted fairly easily because they don't take over jobs done by Greeks."

Given the Greeks' own tradition of going abroad to find jobs, from mass emigration to the US and Germany after the second world war to a sizeable community of scientific and financial experts whose specialised skills are too advanced for the Greek market, social tolerance for immigrant workers is high.

Moreover, more than 100,000 ethnic Greeks from Russia and the Asian republics have settled in Greece since the break-up of the Soviet Union. Like Albanians of ethnic Greek descent, they are welcomed both as survivors of a repressive regime and a resource for the future, now that Greece's 10.2m population has started to decline.

However, apart from musicians and painters - many of whom now work as decorators - the Albanians' lack of skills confines them to poorly paid

jobs. Albanians working illegally on farms and building sites are rounded up and deported in periodic sweeps by Greek police. But because surveillance of the mountainous border is difficult, they frequently slip back into Greece a few weeks later and return to their former employers.

Mr Piro Hoxha, a gardener in an Athens suburb, says: "I was expelled three times in three years, but by then I had enough money to arrange for an entry visa and that helped me get a regular job."

A recent study by the Centre for Economic Policy Research, a private Greek institute, says that illegal workers - mainly Albanians - add an extra 2.3 per cent to Greece's GDP by doing jobs which would not otherwise exist.

The study estimates that illegal labour adds an extra 3 per cent yearly to farm output and also boosts construction activity by about 8 per cent yearly. The yearly cost of employing an Albanian immi-

Migrants have helped keep down wage costs, especially in construction and agriculture where there are now severe labour shortages

grant is about one-third that of a full-time worker.

Thousands of Albanians have returned to invest their savings in new homes and small businesses. Albanian migrants last year took home around \$300m - equivalent to more than 60 per cent of Albania's export earnings - according to the Greek Foreign Ministry. The funds are fuelling a construction boom in Albania, with building materials also being imported by returning migrants.

Most Albanians carry their earnings across the border in cash, as Albania's rudimentary banking system cannot handle large numbers of small remittances from abroad. Immigrants also open savings accounts at Greek banks, where Albanian-held deposits are estimated at more than Dr20bn (\$82m).

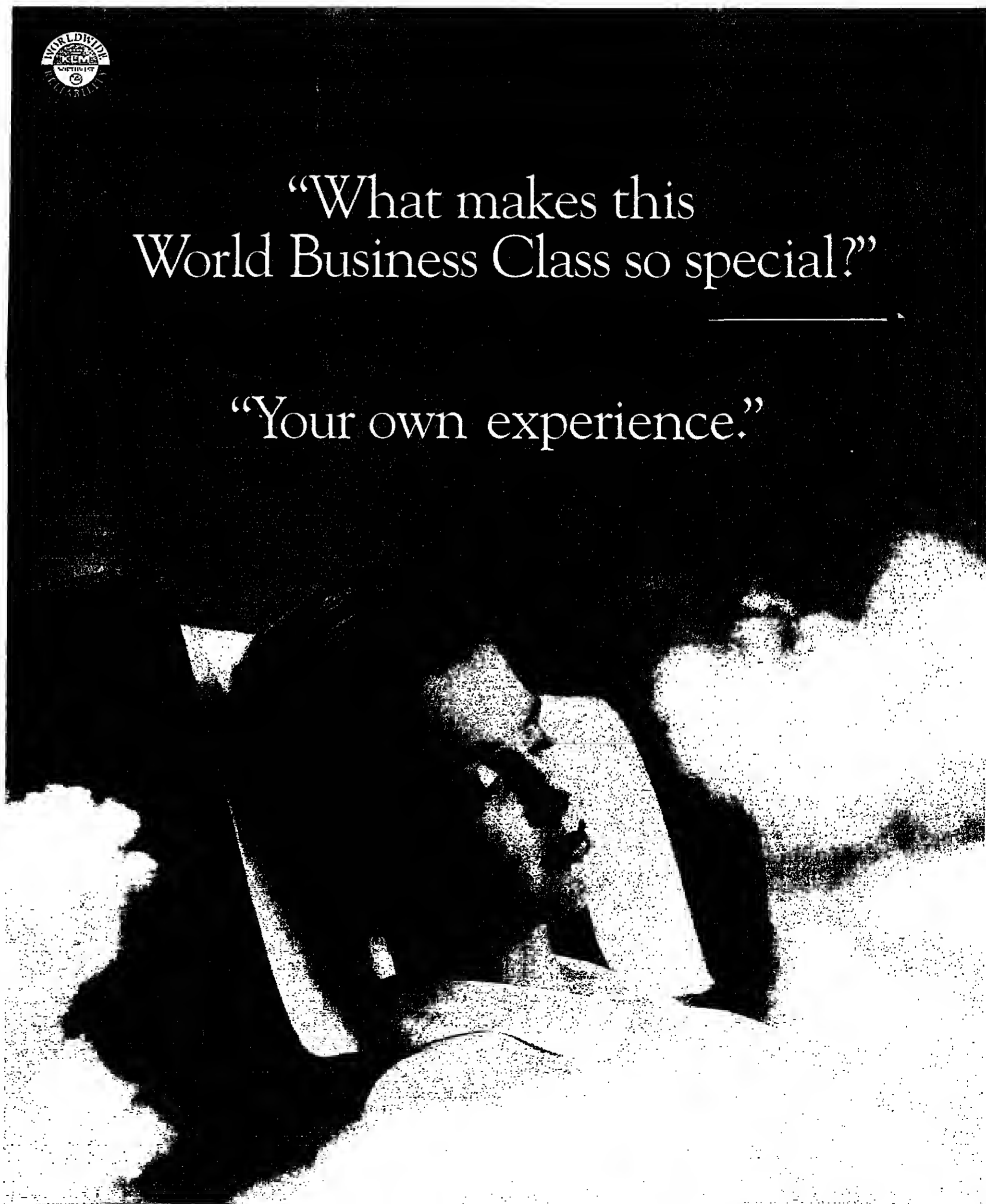
Yet unlike the Poles and Filipinos, who have organised support groups to pressure the Greek authorities to issue work permits and encourage employers to pay social security contributions, Albanians in Greece appear to have little sense of community.

Mr Robert Drago, a painter who runs an association of Albanian artists in Athens, says that apart from college-educated Albanians who try to make broader contacts, people set up in family groups and try to find jobs for each other. "Otherwise, it's still the survival of the fittest."

Kerin Hope

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South Africa set to agree on constitution

By Roger Matthews in Cape Town

South Africa was last night on the verge of adopting a new constitution following hectic last-minute bargaining between the main political parties.

The probability of a deal being struck came only after intense pressure by the ruling African National Congress on the National party headed by former president F W de Klerk.

The ANC warned National party negotiators that if they forced the issue of a referendum, many of the compromises already struck would be abandoned. "We let them know that if they did not take what was on offer now it would be a very different document that would be presented to the electorate in a referendum," said a senior ANC member.

If the National party and other small parties did decide to oppose the draft constitution in today's vote, the ANC would almost certainly fall short of the required two-thirds majority. This would trigger a further 30 days of attempted conciliation, and a referendum if that failed. The ANC is confident that it would achieve the required 60 per cent of the vote in a referendum.

The three critical issues blocking agreement have been the definition of property rights, the right of employers to lock out workers during strikes, and the National party's demand that the state provide single-language education.

Throughout yesterday, preparations for celebrations to mark the adoption of the constitution went ahead despite the intense negotiations interspersed with meetings of the 490-member constitutional assembly. The members even broke off negotiations during the afternoon to pose for a group photograph on the steps of the senate building.

Much of yesterday's delay was believed to be due to divisions among the National party negotiators. Some were said to be arguing that a defeat over education could seriously erode their electoral support within the Afrikaner community. Others, however, were concerned that by forcing a referendum they would inflict serious damage on South Africa's international reputation for political compromise while the currency was under strong pressure.

Union leaders also kept a close eye on the negotiations. Their campaign against giving employers the right to lock out strikers has been only partially successful.

The latest draft of the constitution, which allows the lock out, will remain in force until repealed following negotiations with employers organisations.

The unions are unhappy with this compromise and Mr Sam Shilowa, the general secretary of the Congress of South African Trade Unions, said: "This struggle is by no means over."

In a separate development yesterday the resignation was announced of Mr Estian Calitz, the director general of the ministry of finance, who has been closely associated with the development and implementation of economic policy.

Mr Calitz, who has been a civil servant for 19 years, was appointed director general by Mr Chris Liebenberg, who resigned last month as minister of finance.

SA to speed up partial sell-off of telecom group

By Mark Ashurst in Johannesburg

The South African government yesterday announced plans to speed the partial privatisation of Telkom, the state-owned telephone giant, by consolidating the powers of Mr Jay Naidoo, the new minister of post, telecommunications and broadcasting.

In a clear departure from the style of his predecessor Mr Paillo Jordan, who had delegated much of the development of communications policy outside government, Mr Naidoo said policy would be drafted in concert with the newly appointed ministers of finance and trade and industry.

Stakeholders were given one week to comment on a draft white paper for telecommunications. He hoped a final draft, the basis of the proposed liberalisation, would be tabled in parliament by next month.

Mr Naidoo said Telkom required a "strategic injection of funds, capacity and expertise", but would not discuss a timing for this "restructuring". Although he avoided the term "privatisation", Mr Naidoo did not believe Telkom could achieve this target without a strategic equity partner from the private sector. "I don't think they have enough money, and the debt to equity ratio is just too high - they cannot go to the capital markets."

The finance ministry is expected to unveil a "protocol of corporate governance" for the sector companies, outlining the criteria for private sector involvement, later this month. Ministerial aides expect between 20 and 30 per cent of Telkom's equity to be sold by the end of the year.

The government plans to double South Africa's current telecommunications capacity by installing 4m new telephone lines within five years.

A former leader of the Congress of South African Trade Unions, which has opposed plans to privatise state industries announced by Mr Thabo Mbeki, deputy president, in December, Mr Naidoo said he was confident policy could be agreed with the unions.

But he ruled out any prospect of unions or regulatory authorities increasing their influence over industrial policy. "Telecommunications strategy must lead to the modernisation of our economy and the move to a more knowledge-based economy... If there are any obstacles to the restructuring of these [state] assets, I am taking responsibility."

The shift in the government's approach was underscored by the departure of South Africa's first black postmaster-general, Mr Andile Ngcaba, to become director-general at the ministry, where he will take charge of policy development.

More developing countries on course to catch up with industrialised counterparts

Economic integration holds key to growth

By Robert Chote, Economics Editor



Since the early 1980s living standards in most developing countries have fallen further behind those in industrial nations, as many poor countries have become more isolated from the world economy.

The World Bank believes more developing countries are on course to start "catching up" with their industrialised counterparts in the next few years. But to do so they will have to widen and deepen their economic links with other countries.

In its latest *Global Economic Prospects and the Developing Countries* report, the World Bank predicted that economic growth in the developing countries would rise to an average of 5.4 per cent a year during the next decade. This compares favourably with the 3.4 per cent a year recorded in the 1980s and the 5 per cent a year seen since 1991.

"Still, if current policies continue, large differences in performance among developing countries will persist," the World Bank warned.

All regions are expected to match or exceed the growth they recorded in the past 10 years, but incomes per head are forecast to rise only modestly in Sub-Saharan Africa, the Middle East and North Africa. Between now and 2005 incomes per head are expected to rise at an annual rate of 6.3 per cent in East Asia, 3.7 per cent in South Asia, 3.7 per cent in Europe and Central Asia, 2.2 per cent in Latin America and the Caribbean, 0.9 per cent in Sub-Saharan Africa and 0.4 per cent in the Middle East and North Africa.

By way of comparison, incomes per head are expected to rise by 2.4 per cent a year in the industrial countries.

But the World Bank argues that differences in likely growth performance owe less to regional factors than to the degree to which countries are integrated with the world economy - namely to what extent they participate in international markets for goods, services, capital and labour.

The World Bank argues that the integration of developing countries that integrated most quickly in the past decade grew nearly 3 percentage points a year faster than the slowest integrating quarter.

"Increased participation in international trade improves resource allocation, enhances efficiency by increasing compe-

tion among firms, and induces learning and technology transfer, thus facilitating growth. Countries with the highest levels of integration tended to exhibit the fastest output growth, as did countries that made the greatest advances in integration.

Openness to trade and foreign direct investment increased among the developing countries as a whole last year, but performances varied widely. The ratio of trade to national income actually fell in 44 of the 93 developing countries tracked by the World Bank, while foreign direct investment fell relative to national income in more than 30 countries.

Trade openness is mirrored by tariff levels. Tariffs in South Asia remain higher than in other regions, although they have fallen significantly since the second half of the 1980s. Tariffs are also relatively high - and have not fallen significantly - in Sub-Saharan Africa, the Middle East and North Africa. These regions also have relatively weak inflows of foreign direct investment.

Weak and slow integrators over the past 10 years include most low-income countries in Sub-Saharan Africa, as well as many middle-income countries in Latin America, the Middle East and North Africa. Rapid integrators include the East Asian exporting nations and "reformers" such as Argentina, Chile and Mexico in Latin America, Morocco in the Middle East, Ghana and Mauritius in Sub-Saharan Africa, and the Czech Republic, Hungary, Poland and Turkey in Europe.

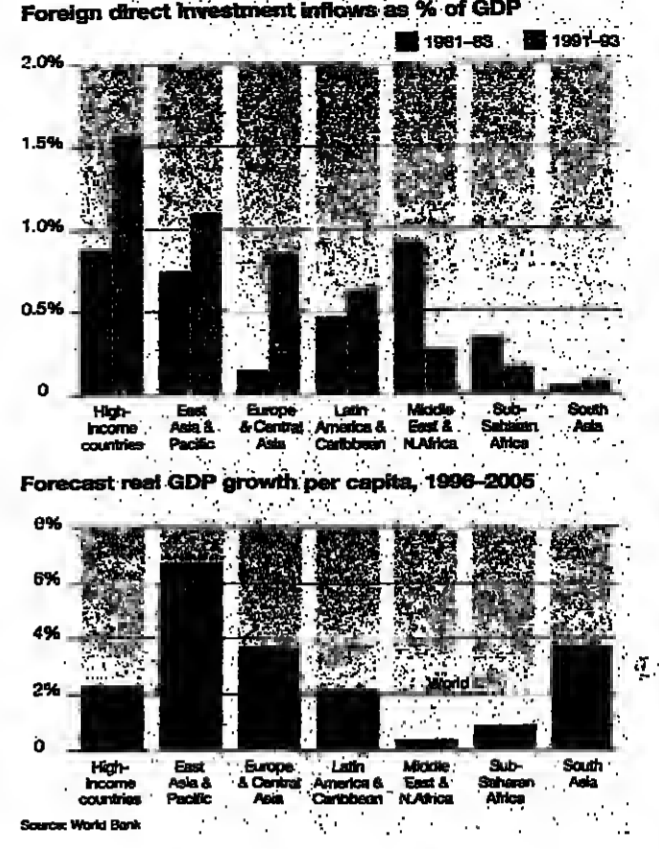
"For the most part, only fast-integrating developing countries saw per capita incomes converge towards industrial country levels over the past decade," the World Bank said. Growth in 75 of the 93 developing countries was below the industrial country average between 1984 and 1993, but World Bank officials expect this number to drop to around 30 in coming decade.

The World Bank included a number of policy prescriptions in the report. As ever, it urged governments to pursue macro-economic stability, especially by cutting government borrowing. It also urged the abandonment of policies aimed at restricting trade and foreign investment.

The bank conceded that countries face transition costs if they liberalise and integrate their economies. But "these costs tend to be overestimated."

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Growth flows from inward investment



Primary product diversification gets green light

By Robert Chote

Salmun, forest products and blackberries are just three of the new export industries developed in Chile in recent years, through a co-operative venture between the private and public sectors.

Fundación Chile is jointly funded by the government and private sector in an effort to develop non-tradi-

tional export industries. Enterprises are set up using its research, development, production and marketing efforts, before being sold to the private sector once they have become established.

Fundación Chile has seen the scheme emulated in Bolivia and Colombia. The World Bank - despite taking an instinctively wary attitude to public sector activity - also hail

it as a good example of the way in which commodity producers should try to diversify their activities.

Countries which are heavily reliant on commodity exports for their link to the world economy are particularly vulnerable when demand or prices change.

However the bank argues that "these problems can be overcome by policies that strengthen the private sector (for example, abolishing state monopolies), encourage foreign direct investment (joint ventures in production and export marketing), promote research and its application (minimising restrictions on new agricultural technology), and develop infrastructure (telecommunications reform)".

Columbia provides another example of diversification into non-tradi-

Egypt inches towards privatisation

By James Whittington in Cairo

After four months of rhetoric about Egypt's new commitment to privatisation, a last-minute decision on Monday to sell a majority stake in a public sector company to private investors through the Cairo stock exchange has raised hopes that the government might start to deliver on some of its promises.

The initial public offering of the real estate company, Nasr City Housing and Construction, which closed yesterday, was raised from 20 to 75 per cent of its equity in response to a high demand from foreign and local investors.

In an interview with the *Financial Times* last month, Mr Kamel el-Ganzouri, who took over as prime minister at the beginning of the year with a mandate for faster and deeper reforms, said he hoped to see "at least eight companies" selling a majority stake to the private sector by the end of next month.

Since Egypt embarked on a programme of economic reforms in 1991, the need to dismantle the country's huge public sector, so triumphantly cobbled together in the 1960s, has caused much soul-searching and resistance within the government.

Even Mr Ganzouri, who spent the past 12 years as planning minister, admits to coming round only recently to a belief in the benefits of privatisation. "Frankly, three years ago, I thought you could keep the public sector and still the private sector would be free to come and invest," he confided. "But right now it's hard to invite the private sector to work while we have this big pyramid of public enterprises."

As a result, the government's record so far has caused great frustration to donors, such as the International Monetary Fund and the World Bank, who have been urging Egypt to reduce the public sector's burden on the state to achieve higher growth.

With the sale of Nasr Housing, only five fully-owned public enterprises, out of 314 earmarked for sale, have passed into private control. Seventeen others have been partially privatised with each one releasing minority stakes - typically 10 per cent of equity.

The size of the task ahead is colossal. The non-financial public enterprises to be sold account for two-thirds of industrial output with a book value of E\$28bn (\$25.1bn). These do not, however, include the four public sector banks and the so-called Economic Authorities which control big utilities and infrastructure such as gas,

electricity, water, oil and the Suez Canal, which have been ring-fenced from privatisation.

Aside from a question-mark over the government's commitment to faster privatisation, one of the obstacles to the programme has been the bureaucracy of its institutional structure. In 1991, the 17 holding companies which owned the enterprises targeted for sale were established with a mandate to maximise returns rather than a clear set of rules on how to privatise.

Outside advisers to the Public Enterprise Office, headed by Mr Atef Obeid, have recommended that a Divestiture Trust is set up to oversee privatisations exclusively. Each company ready for sale would be transferred to the Trust which would have a legal mandate and an incentive structure to execute the sales.

Instead, the government has said it will replace those managers who are resisting privatisation. To avoid the issue of personal liability for public sales - which has badly marred the credibility of Russia's privatisation programme - it has agreed that decisions on each sale will be taken collectively by the cabinet.

The other main hindrance is the political issue of job security. For the past four decades, the public sector has guaran-

Aid donors agree to new results strategy

By David Buchan in Paris

Leading aid-donor countries yesterday agreed on a new results-oriented strategy designed to focus less on the monetary level of their development assistance and more on the economic and social impact of that aid on poor countries.

The strategy, announced after a meeting of high-level aid officials from 22 members of the Organisation for Economic Co-operation and Development (OECD), reflects growing embarrassment by some donors, like the US, at the fall-off in their official aid budgets. But OECD and US officials said yesterday that new performance targets were also aimed at increasing the efficiency of development aid and at raising incentives for donors to contribute more.

A paper by the OECD's Development Assistance Committee (DAC) calls for its members to aim to reduce by half the 1.2bn people with a current income of less than \$1 a day by 2015, at providing universal primary education by the same date, and for big reductions in infant and maternal mortality.

Despite the emphasis on the "output" of aid efforts, Mr James Michel, chairman of the DAC, expressed concern about falling "input". He said preliminary reports from the 22 member governments showed some decline last year in their bilateral and multilateral aid contributions from the 1994 total of dollars \$59bn.

Mr Brian Atwood, head of the US Agency for International Aid, said that the final figures for last year might show that France had overtaken the US as the second largest provider of government economic aid behind Japan. Congressional cuts and budget pressures had led to a 40 per cent decline in his agency's budget, he said. But he hoped that the OECD's new results-oriented approach would help provide for US politicians "more proof that aid works in our enlightened self-interest" by improving conditions and expanding markets in poor countries.

The DAC group also recommended that their governments take action to introduce anti-corruption provisions into contracts funded by their aid budgets. DAC members also undertook to urge international development agencies to take the same steps to stamp out bribery in the contracts which they financed. "The suspicion that some of our aid money ends up in Swiss bank accounts has damaged support for aid programmes," Mr Atwood complained.

Fear drives Africa's boom business

Security companies trade on lawlessness and crime, writes Michela Wrong

As a soldier in the army of apartheid South Africa, Bill Pelsler dodged bullets and fought the Marxist Angolan government on the side of the Unita rebel movement. Today he wears a suit and his company, Saracen International, clears Unita mines laid in government-held territory and trains former Angolan soldiers as security guards.

Mr Pelsler has found the transformation from poacher to gamekeeper a painless one.

"It's very familiar territory; planning complex operations, deploying men, security concerns. It's everything we did in the army. Only now I'm working for myself and the money goes into my pocket."

Mr Pelsler is not alone in finding the private sector more to his liking. Across Africa, thousands of soldiers and policemen are banding in their uniforms to set up security concerns, tapping into expatriate fears about rising crime and the perceived inability of governments to protect the public.

Security is one of the continent's most vibrant growth industries, a boom which - whether founded on reality or lurid fantasy - is a barometer of the precarious health of the African state.

In South Africa, where white homes boast the rattler at the door and a 24-hour "rapid response" team at the press of a button, more people are now employed by the private security industries than the police force.

In East Africa, industry experts say the sector is growing by 30 to 28 per cent a year. Even Kenya, which once enjoyed a reputation as Africa's "safe" destination, now lists some 180 security companies in its Nairobi telephone directory, providing an estimated 20,000 jobs.

But nowhere has the privatisation of security been more acute than in Angola and Zaire, where the state survives in little more than name.

In Kinshasa, the normal rules of society have been reversed - no point calling the police since it is they who are mugging you - and a fend-for-yourself philosophy has been taken to its ruthless extreme. The poor do without electricity, decent roads, working telephones, and are robbed by the local gangsters. The rich have generators, four-wheel drive vehicles, mobile phones and security guards.

In Luanda, there were only two security companies in 1992. Now there are between 70 and 100 and many more operate like private armies in the diamond-rich Lunda provinces. The government, alarmed by the mushrooming phenomenon, recently introduced legislation to put a brake on the boom.

Mr Svend Thomsen, a former Swedish diplomat who now runs the 500-strong company Guardaserra, says men wait months to get a job with his company guarding non-governmental organisations and foreign oil companies.

"We train 25 men a month and cannot absorb staff any quicker than we do. But, given the demand, we could easily have 1,000 employees. Africa can no longer do without these kind of firms."

Most of his company's recruits have done five or 10 years in the army. "They don't need to be taught about weapons," says Mr Thomsen. "What they do need to be taught is to be polite, keep clean and relate to the customer." For such duties they get the equivalent of \$250, about 10 times a university professor's salary.

Pickings for the managers are rich and increasingly the big players are becoming multinational affairs: the same names - Defence Systems Ltd (DSL), Securicor, Group 4 - crop up in country after country.

DSL, a British company which specialises in protecting embassies and recruits Gurkhas and former members of the SAS, helped train the Mozambique army and now has branches in Angola, Zaire and Rwanda. Saracen has branches in South Africa and Uganda and is exploring possibilities in Tanzania and Kenya.

Competition between rivals is fierce and there is much mutual criticism. Companies such as DSL do not arm their guards, on the basis that doing so escalates any confrontation. Saracen scoffs at the idea. "If you're not armed you can't stop an armed guy. It's as simple as that," says Mr Pelsler.

Ironically, many of those doing best out of the industry confess in private it

rests on a mixture of colonial tradition - the assumption that the white boss needs a guard at the gate to advertise his importance - and a gross misconception of the risks of living in Africa.

Mr Rocky Hitchcock, a former British officer responsible for training at the KK group, a company with branches in Mombasa and Nairobi, rates the Kenyan capital as about as dangerous as London. Despite the proliferation of rapid-response cars in the well-heeled suburbs of Nairobi, he believes it is far safer than Washington, New York or Moscow.

"The conception is completely out of sync with reality. Violence against expatriates and whites is much, much lower than violence between Africans. There are still little old ladies living alone on their farms and not being bothered," he says.

The sentiment is echoed in Zaire and Angola, where chaos, the security experts say, does not necessarily involve risk to life and limb. Because they have been so isolated from the rest of the world, Luanda and Kinshasa have been spared the kind of organised, drugs-related crime seen in Johannesburg or Lagos.

"Luanda isn't that dangerous yet. If you get carjacked, you stand a good chance of not being shot," says one security manager. "The whole industry is based on fear and misconceptions. But we're happy to feed off your paranoia."

Call for Expressions of Interest in Purchasing The Groups of Assets of "Hadjiathanasiades Bros S.A." of Athens Greece

ΕΤΙΜΟΙ ΚΡΗΠΙΛΟΝ Σ.Α. Administration of Assets and Liabilities, of the Christophoros on St. Athanasios, Greece, in its capacity as Liquidator of "Hadjiathanasiades Bros S.A.", a company with its registered office in Athens, Greece, files "Company", presently under special liquidation according to the provisions of Article 36 of Law 1962/1986, by virtue of Decree 126/1996 of the Athens Court of Appeal on-line letter and parties to submit within twenty (20) days from the publication of this call, non-binding written expressions of interest for the purchase of the groups of assets mentioned below, each one being sold as a single entity.

BRIEF INFORMATION

The Company was established in 1984. Its activities included the processing and canning of olive tomatoes, tomato paste, tomato puree and vegetables, the processing and packaging of whole and granulated rice, the packaging of liquid fruits and vegetables. The Company was declared bankrupt in 1991, while it was placed under special liquidation on 19 April 1996.

GROUPS OF ASSETS OFFERED FOR SALE

1. Rice processing unit (rice mill) comprising several buildings, the area of which amounts to approx. 4,570 sq.m. standing on a plot of land of approx. 3,500 sq.m. in the city district area of the Community of Sotiros, Serres. This unit contains machinery consisting of an OLMIA pulsed hot production unit of 200t/h, a SCHLAI pulsed hot production unit of 200t/h and a sorting and packaging unit. The "MAGRID" rice trademark and rice in 1995 on a long-term lease and the company's registered name are included in the present group of assets.
2. Pooled tomato, tomato puree and tomato paste production unit and fruit and vegetable processing unit, comprising several buildings, the area of which amounts to approx. 22,000 sq.m., standing on a plot of land of approx. 22,300 sq.m., adjoining that of the recently 1. The plant's machinery includes a tomato paste production unit, the capacity of which is equal to 2,000 wet 24 hours standing on the processing of pooled tomatoes, peas, beans, peas and other vegetables. The latter are dismantled and in a bad condition.
3. Both the rice and the fruit and vegetable units are currently leased out while legal proceedings for the termination of the lease are pending.
4. Remaining assets, with an agricultural plot of land amounting to 4,820 sq.m. at KIORO, ASANIKI, in the region of the Community of Stavros, Serres.

SALE PROCEDURE

The Company's assets will be sold by way of public auction in accordance with the provisions of Article 41 of Law 1962/1986, as supplemented by articles 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

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NEWS: WORLD TRADE

Daewoo sets aims for Polish offshoots

By Christopher Bobinski in Warsaw

Daewoo, the South Korean industrial conglomerate, expects to export \$1.5bn worth of cars and components a year from its Polish subsidiaries within three years, according to Mr Kim Woo Choong, the group's chairman.

Speaking at a Korean investment seminar in central and eastern Europe yesterday, he said Daewoo also plans to increase sales throughout the region as the buying power of the domestic population increases.

The company has pledged to invest around \$3bn in Poland, in addition to buying vehicle plants in the Czech republic and Romania and building a plant worth nearly \$700m in Uzbekistan.

"We will retrieve much of this capital investment by going public with stocks on local capital markets. And we will reinvest this capital," he said of plans to float some of his local operations beginning in the year 2000.

The Korean company is to reinvest profits to help finance the \$5bn it plans to spend on developing local operations. This, Mr Choong said, made it "different from some multinational firms" whose operations "suggest something not very different from an extension of former European colonialism".

"Short-term, quick profits are not our goal," he said. Daewoo's immediate plan is to quadruple its worldwide output of motor vehicles to an annual 2m units within four years. Mr Choong denied press reports that his company was interested in taking a stake in Poland's shipbuilding industry.

The Polish government is looking for an investor to purchase a controlling share in the ailing Gdansk shipyard. Daewoo is considering an investment in the Sedzimir steel works near Krakow in southern Poland which supplies sheet steel for the car industry.

More multilateral accords urged as fears mount over impact of bilateral deals on CAP

EU farm ministers warn on trade pacts

By Caroline Southey in Otranto, southern Italy

EU agriculture ministers yesterday warned that the EU's policy on trade liberalisation pacts could undermine the Common Agricultural Policy and called instead for a more cautious approach to free trade areas.

Underlying their concerns over FTAs, a majority of farm ministers agreed that the EU should put greater emphasis on pursuing trade liberalisation through multilateral avenues rather than bilateral deals.

The ministers, aware that FTAs are negotiated by foreign ministries rather than agriculture departments, said they would insist that farm ministers play a greater role in setting the terms of any future

FTAs. Mr Walter Luchetti, Italy's agriculture minister, who hosted a two-day informal gathering of EU farm ministers in Otranto, said: "Agricultural organisations in the EU must have input into any decisions."

He warned that the EU risked "destroying its agricultural economy and the livelihood of farmers" if the "combined impact of these concessions" were not compatible with the CAP.

Mr Franz Fischler, EU commissioner for agriculture, said the ministers were "not talking about how we can stop any FTAs but how the EU could get the best advantage out of the accords".

He warned against the danger of successive FTAs forcing the pace of CAP reform. "If the EU policy is to be changed then we should do it for our

own reasons and on a well planned, thought-out basis. We should not have our policy changed through the back door by FTAs or WTO agreements," he said.

Mr Fischler said emphasis should be placed on pursuing trade liberalisation through the multilateral route. "Bilateral accords have to be secondary to that. It does not make much sense to cover the whole world with bilateral arrangements. It would be better as a whole package under the WTO."

A trade official said EU farm ministers were most concerned about the impact foreign products would have on domestic markets. "Once you start introducing elements over which you don't have control, you open up a Pandora's Box," the official said.

"The EU might find that it



Fischler: trade liberalisation through multilateral route

can no longer afford to pay out enough to continue giving EU farmers a competitive advantage over third country imports.

Mr Fischler stressed the dangers of basing negotiations on present production patterns in

third countries, pointing out that within a short time, South Africa had moved from being a net importer of grain to a net exporter. "In certain markets, you need only small quantities imported to completely upset a market."

Patten appeals for China MFN status

By John Riddick in Hong Kong

Mr Chris Patten, governor of Hong Kong, yesterday urged the US to renew China's Most Favoured Nation trading status, arguing refusal would deal a heavy blow to the territory as it prepares to return to Chinese sovereignty.

Speaking in the US, Mr Patten said rejection of MFN status this year would come when "Hong Kong is particularly vulnerable to shocks and confidence in its future and we can least afford a setback to our economic fortunes".

According to Mr Patten, revocation of China's trading status would cost about 90,000 jobs in the territory and reduce its growth rate, forecast at 5 per cent this year, by up to half.

In a speech to the Heritage Foundation, the US think-tank, Mr Patten rejected the argument that Hong Kong's interests and the preservation of its political and social insti-

tutions would be served by attaching conditions to MFN renewal.

He warned that conditions could create a "double jeopardy" for Hong Kong. "It is not a good bargain to say that on day one they may lose their Bill of Rights or legislature. On day two, as a result, they may lose their job."

Lobbying for MFN renewal tops Mr Patten's schedule for his week-long US visit. But he has sought to win US commitments to support the territory's autonomy and rule of law after its handover to China in July 1997.

He said the US had strong economic interests in Hong Kong, citing direct investments in the territory of at least US\$12bn.

Hong Kong provided a test case for Beijing's stance in the international community, and its economic freedoms and political institutions were in line with US aspirations for the region.

Coca-Cola's investment to double in central Asia

By Kevin Dore, East Europe Correspondent

Coca-Cola, the world's largest soft drinks producer, is to double its capital investment in central Asia and the Caucasus to \$200m by the end of 1998.

The group, together with its regional bottling partners, is opening plants this week in Kazakhstan, Kyrgyzstan and Uzbekistan as part of a five-year programme aimed at creating a modern soft drinks production and distribution system throughout the region.

Plants are also being developed in Azerbaijan, Armenia and Turkmenistan, which will join existing facilities in Tbilisi, Georgia and Tashkent, Uzbekistan.

The Coca-Cola system - the US group and its bottling partners - has become one of the leading foreign investors in eastern Europe and the former Soviet Union. The company has succeeded in overtaking its arch rival PepsiCo to become

the leading soft drinks producer in the region.

Mr Neville Isdell, Coca-Cola senior vice-president, said the drive into central Asia would increase the group's total investment in the former eastern bloc to between \$2.1bn and \$2.2bn since the fall of the Berlin wall in 1989.

The group yesterday opened a \$15m bottling plant in Almaty, capital of Kazakhstan. This is to be followed today by the opening in Bishkek, capital of Kyrgyzstan, of a \$16m plant.

In Uzbekistan, which has the largest population in central Asia at 22m, the group is opening a second plant in Tashkent tomorrow, and is planning to double its investment in the country to \$40m within a year.

"These countries are the next frontier of opportunity for soft drinks," said Mr Isdell. "Economic reforms and burgeoning consumer demand are making these high-potential markets." The region of central Asia and the Caucasus has a

population of around 72m.

Coca-Cola's east central Europe division achieved volume growth of 25 per cent last year, and accounted for 18 per cent of sales in the group's greater Europe region.

The group is using Turkey as the springboard for its expansion into the Turkic language countries of central Asia through a regional office in Istanbul.

Coca-Cola has formed an alliance with the Anadolu group of Turkey, an industrial concern with interests in beer, soft drinks, cars, finance and stationery, and which includes Efes, the biggest Turkish brewer.

Anadolu has the Coca-Cola bottling rights for Turkmenistan, Kyrgyzstan, Kazakhstan, Azerbaijan and parts of southern Russia.

Last month it bought a 33.3 per cent stake in four Coca-Cola companies in Turkey, where the new joint venture is planning to invest \$400m over the next 10 years.

WORLD TRADE NEWS DIGEST

Thailand cuts luxury tariffs

The Thai government yesterday approved a series of tariff cuts on 13 groups of luxury consumer goods to discourage Thais from travelling abroad on shopping sprees. These trips are a big factor in Thailand's booming current account deficit, which last year stood at 6.1 per cent of GDP. Tariffs on perfume, cosmetics, clothing and shoes will be cut from as high as 45 per cent to 10 per cent. Tariffs on leather bags and belts will be reduced from 65 per cent to 20 per cent.

Tariffs on fur coats, dinnerware, crystal, spectacle frames and lenses, cameras, watches, pens and lighters will be reduced from as high as 55 per cent to 5 per cent. The government estimates it will lose about \$1.15bn (\$47m) in revenue.

Some economists have argued that the potential gains from this measure may be exaggerated, as an estimated 25 per cent of overseas trips taken by Thais are "incentive tours" given free by employers as bonuses. In addition, a larger portion of the Thai population will now be able to afford imported goods.

Ted Bardacke, Bangkok

Italian-US satellite contract

Hughes Olivetti Telecom (HOT), the Italian-US satellite telecoms joint venture, has won a contract to supply VSAT (very small aperture terminal) satellite services to Volkswagen dealers in Europe and to DAT, the German vehicle services group.

Olivetti said the contract had been agreed with ACS, the company which runs satellite services for Volkswagen dealers and for DAT, and would be worth more than \$25m. HOT will implement a satellite network of 3,000 terminals for DAT over the next two years, and aims to link as many as 6,000 European VW dealers, starting in Germany. The joint venture now claims to have 30 per cent of the European market for VSAT services.

Andrew Hill, Milan

Hopewell gives transit details

Mr Gordon Wu, Hopewell Holdings chairman, submitted a detailed implementation schedule and financing plan for his company's \$3.2bn mass transit system in Bangkok yesterday, meeting a government deadline for receiving details of the much-delayed project.

Mr Wu promised the first three stages of the project, totalling 44km, would be fully operational by December 1999, with the elevated highway portion of the system ready 18 months earlier, in time for the 1998 Asian Games in Bangkok. The western and southern routes of the system have been postponed. The financing plan included equity from Hopewell, bank loans and an eventual listing on the Thai stock exchange.

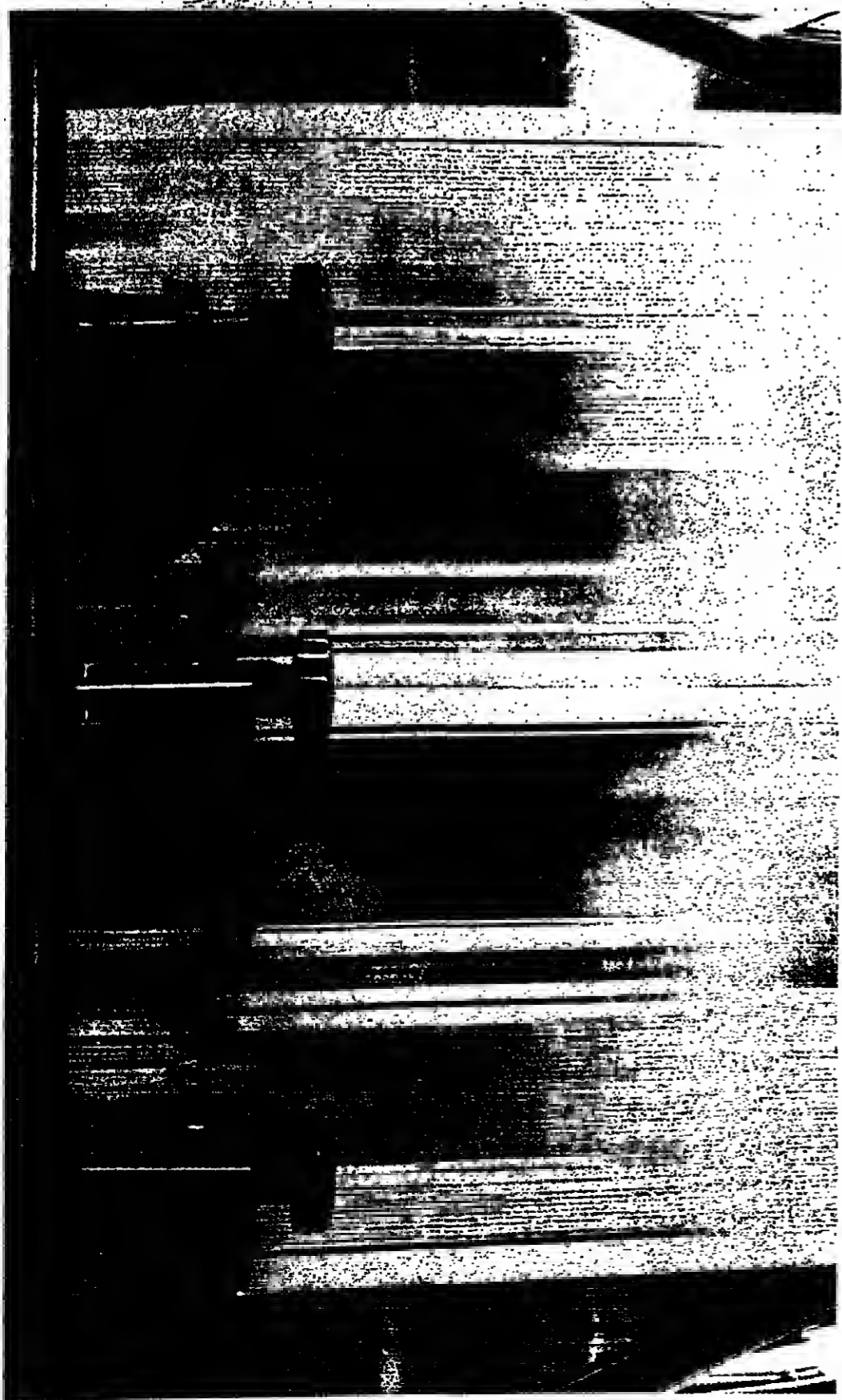
Ted Bardacke, Bangkok

Malaysia eases broker curbs

Malaysia will allow foreign insurance brokerage companies to set up businesses at the International Offshore Financial Centre (IOFC) on Labuan island off the coast of Borneo island. The brokers will be allowed to undertake insurance activities in Labuan with insurance companies that are not registered under the Offshore Insurance Act 1990, Mr Anwar Ibrahim, deputy prime minister, said yesterday.

Money brokers not licensed under the Banking and Financial Institutions Act 1989 in Malaysia will also be allowed to operate in the IOFC. The measures are part of government's efforts to generate more interest in offshore insurance activities at the IOFC.

Reuter, Kuala Lumpur



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expect. At the Sachsen papermill in Eilenburg, Germany, for example, our integrated Advant process control system meets these requirements every day.

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Our integrated system approach to process control is equally successful in other industries including cement, steel, textiles and packaging.

Yes, you can.

Our aim is to continually stretch the limits of the possible, converting leading edge research into shop floor profits quickly and dependably. And, of course, without cutting corners.



Australia may sell pensions business

By Nikki Tait in Sydney
Australia's conservative coalition government yesterday opened up the possibility of privatizing the Commonwealth Funds Management business...

The sale proposal was considered and approved at a joint party meeting in Canberra yesterday...

Mr John Fahey, finance minister, said a study would ascertain the extent of the commercial interest in CFM...

CFM's clients include the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme...

His latest policy statement at the weekend in which he urged state enterprises to speed reforms...

But in January, Mr Jiang was telling senior colleagues: "We must strictly ban the cultural trash poisoning the people and social atmosphere..."

Other statements have veered between a desire to present himself as custodian of the Communist party's traditional values...

Manila-IMF pact on money targets

By Edward Luce in Manila

The Philippines has reached accord with the International Monetary Fund to rein back drastically the country's money supply targets...

The agreement, to be finalized next month at the IMF's last annual review of the Philippine economy...

Last year, the IMF generated controversy when it permitted the Philippine government to extend M3 growth ceiling to 30 per cent per year...

the financial markets, Mr Singson declared. Under the revised conditions of the \$684m programme...

Under next month's revised package, which will also include a review of the country's inflation performance...

The IMF, which voted at the weekend that inflation fell to 11.3 per cent in April, will also press the Philippines to enact a tax modernisation bill...

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The IMF, which voted at the weekend that inflation fell to 11.3 per cent in April, will also press the Philippines to enact a tax modernisation bill...

the tax base and generate budget surpluses. "For the Philippines time is running out," the report warns.

The Philippine government plans to assure the IMF that the tax system will be in place before the exit programme expires next year.

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Jiang tries to be man for all seasons

His efforts are not necessarily striking a chord, writes Tony Walker

Like his counterpart Mr Bill Clinton in the US, China's President Jiang Zemin appears to be running harder for office these days...

In a series of policy statements since late last year, he has sought to define his leadership but, in efforts to give substance to his claims...

His latest policy statement at the weekend in which he urged state enterprises to speed reforms was couched in language which sat oddly with earlier cautious pronouncements...

But in January, Mr Jiang was telling senior colleagues: "We must strictly ban the cultural trash poisoning the people and social atmosphere..."

Other statements have veered between a desire to present himself as custodian of the Communist party's traditional values...



China's Jiang Zemin: seeking to strengthen his grip on power

earlier this year wearing a Mao suit, a high-necked military-style tunic favoured by earlier generations...

Mr Jiang's meanderings between party orthodoxy and reformism suggest to some not strength but continuing weakness.

After nearly seven years in the job, he does not yet appear to have stamped his authority on party or country...

Mr Jiang, in his efforts to strengthen his grip on power, appears in the eyes of many to have made the right moves and perhaps more important...

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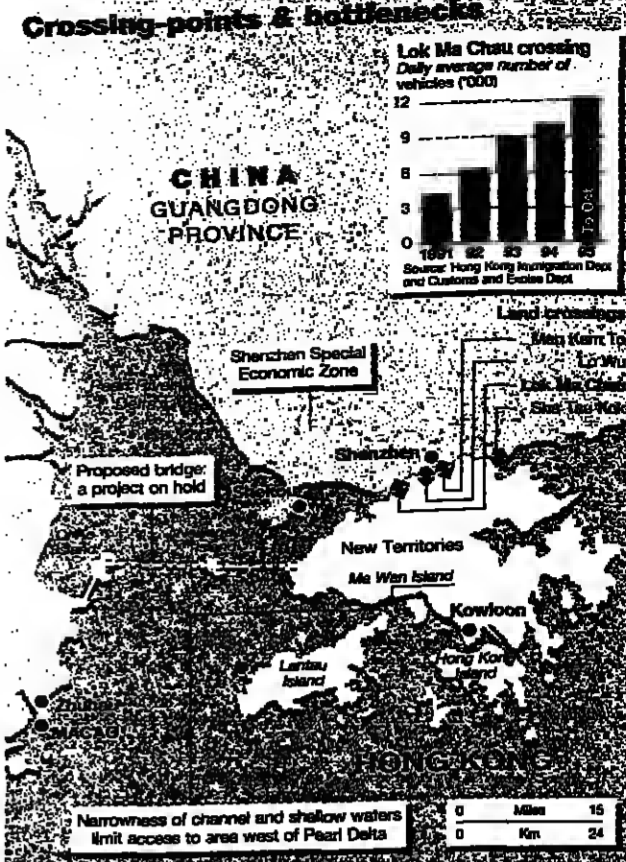
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A bridge too far for China's push on infrastructure

John Ridding looks at problems of planning links in the south of the country and to Hong Kong

There is a bridge under construction between the special economic zone of Zhuhai in southern China and Qi Ao island...

Local authorities want it to form the first step of a grandiose 60km link with Hong Kong. But when the project was spawned...

The project, now on hold, is an extreme case of the infrastructure craze that has gripped southern China...

Both sides, however, are now seeking to take a grip. Planning officials are exchanging designs and proposals...

An emerging constraint in Hong Kong is a more vociferous environmental lobby. A new channel from Shekou to the west of the delta region would involve substantial dredging...

China's tight monetary policy, while successful in reducing inflation, has squeezed the funds available for construction and infrastructure projects.

"Debt finance in China is the biggest problem at the moment," says one project executive.

"A lot is going ahead, but it is often on the basis of large chunks of equity."

China has adopted a more flexible stance towards BOT schemes, in which investors build and operate projects for a fixed period of time before transferring them back to government ownership.

Mr Gordon Wu's Hopewell Holdings has completed parts of a superhighway linking the main cities in the Pearl River Delta based on a BOT scheme.

Hong Kong team on the ICC. There is also a growing need for a new marina channel to the west of the Pearl River delta...

There are concrete proposals to address the constraints. Concerning the road link, there are two broad schemes on the table...

On the water, proposals centre on the widening and deepening of the channel to the port of Shekou.

But the planners face a tough task. "These are big strategic projects," says one project executive in Hong Kong...

A bigger factor is the financial consideration. China's tight monetary policy, while successful in reducing inflation, has squeezed the funds available for construction and infrastructure projects.

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Mr Gordon Wu's Hopewell Holdings has completed parts of a superhighway linking the main cities in the Pearl River Delta based on a BOT scheme.

There has been a near six-fold increase in the number of container lorries making the crossing. "We must have an additional vehicle crossing point," says Mr Leung, head of the

TENDER NOTICE UK GOVERNMENT ECU TREASURY BILLS For tender on 14 May 1996. 1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills...

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CATALYST We are pleased to announce the re-organisation of the Catalyst Creative Group. The business of Catalyst Creative Services Limited is now being undertaken by Catalyst Creative Solutions Limited and Catalyst Creative Partnership Limited...

ASIA-PACIFIC NEWS DIGEST Thailand may buy more power Thailand, in the midst of initiating Asia's biggest private electricity supply programme, is considering boosting the amount of electricity it plans to buy from private producers...

Australia arms rules released Australia's federal government yesterday released proposals for stricter controls on gun ownership and registration, including a ban on ownership, sale and importation of automatic and semi-automatic weapons...

Manila drops PepsiCo charges The Philippine Justice Department yesterday dismissed fraud charges against nine PepsiCo executives over a promotional numbers game, Mr Ramon Liway, justice under-secretary, ordered state prosecutors to withdraw the charges...

Jakarta businessman escapes Indonesia ordered border points on alert yesterday after businessman Eddy Tansil escaped from a Jakarta jail where he was serving a 20-year term for a \$447m loan scam...

CATALYST We are pleased to announce the re-organisation of the Catalyst Creative Group. The business of Catalyst Creative Services Limited is now being undertaken by Catalyst Creative Solutions Limited and Catalyst Creative Partnership Limited...

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1996 WORLD RALLY CHAMPIONSHIP

We conquered the cold.

Then beat the heat.

Now for everything

in between.

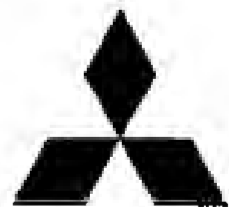


Round 1 Swedish Rally



Round 2 Safari Rally

MITSUBISHI DOMINATES FIRST TWO ROUNDS OF '96 WORLD RALLY CHAMPIONSHIP



MITSUBISHI
MOTORS

CREATING TOGETHER

NEWS: THE AMERICAS

Democratic leader threatens procedural delays on petrol vote unless the minimum wage is scheduled

Senate to vote on repealing petrol tax rise

By Jurek Martin in Washington

Presidential politics returned to Congress with a vengeance yesterday, with repeal of the 1993 petrol tax increase, a raise in the federal minimum wage and the constitutional amendment to balance the budget chief topics in some complex legislative battles.

Senator Tom Daschle, the Democratic leader, has conceded that Senator Robert Dole, the majority leader and presumptive Republican presidential nominee, has the votes to pass the measure.

For symbolic purposes Mr Dole wanted action yesterday, designated by conservatives as Tax Freedom Day - based on the calculation that the average American will have earned enough to pay all federal, state and local taxes for the rest of the calendar year.

The Democrats in the Senate were yesterday trying to attach the minimum wage to a piece of Republican election year mischief - a bill setting up a special fund to pay for the lost earnings of the White House travel office staff fired in 1993, in the Republican view allegedly at the instigation of Mrs Hillary Clinton.

to Democrats be is considering adding the condition that social security for older Americans be protected from any budget cutting exercise.

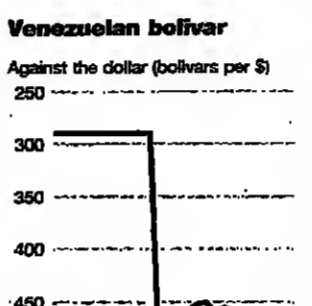
Newt Gingrich, the Speaker, has promised a petrol tax repeal by the Memorial Day holiday weekend later this month, which marks the beginning of the peak summer driving months.

Venezuela stems the bleeding but surgery is still to come

Raymond Colitt assesses the first weeks of an economic reform plan

Even by the pessimistic standards of Venezuela's President Rafael Caldera, the "period of discomfort, adjustment and disturbance" he warned of when he unveiled economic reforms last month has been mild.

the IMF that set free \$3.4bn in multilateral aid has, through reassuring investors, also reopened the doors to international capital markets, alleviating Venezuela's immediate financial woes.



debt, which consumed nearly a third of this year's budget in interest and capital payments. According to analysts at Merrill Lynch in New York, external debt payments in 1997 will exceed \$3.5bn.

US presidential candidates to get free air time

By Patti Waldmeir in Washington

US presidential candidates are to be given free television time for the last two weeks of the campaign. Those who champion the issue of free air time hope that, as American voters develop a tolerance for political broadcasting, networks will extend that time to 5 minutes or more.

on most major networks. They will probably be allocated time nightly for the last two weeks of the campaign. Those who champion the issue of free air time hope that, as American voters develop a tolerance for political broadcasting, networks will extend that time to 5 minutes or more.

But it is early days yet, and independent economists are warning that the hardest part is to come, even if the initial shock is over. The bolivar, after falling 40 per cent immediately after being freed from two years of exchange controls, has recovered about 8 per cent against the dollar and the capital flight that many feared did not materialise.

Yet the government's principal challenge still lies ahead. "The government has presented a plan to stabilise the economy, now it needs one to restructure it," said Mr José Corral, an analyst with Santander Investment in Caracas.

former economics adviser to the Argentine government. He added that "the Venezuelan economy continues to have serious problems" which could take as much as a decade to resolve.

Long-term solutions will be harder to come by. When Mr Teodoro Petkoff, the planning minister who was instrumental in pushing through recent reform efforts indicated for the first time that Venezuela's public sector would have to shed as much as half a million of its 1.3m employees, he also said it would not happen during Venezuela's economic convalescence.

CBS, one of the three largest broadcast networks, says it will give candidates airtime during news programmes, but will keep them off the air during prime-time entertainment hours. Mr Walker Cronkite, the legendary CBS anchorman, has spearheaded the campaign to introduce the kind of party political broadcasting which is common in the rest of the world, but previously unknown in America.

But the denial of prime-time slots to candidates is also a blow to those who think party broadcasts will revitalise the political process. Part of their goal is to reach voters who have become disillusioned with politics, many of whom do not watch news programmes.

EU halts talks on Cuban economic co-operation

By Pascal Fletcher in Havana

The European Union, citing Cuban inflexibility over political and economic reforms, has decided not to proceed for the moment with formal talks on a possible economic co-operation accord.

"We are looking for a change of heart from the Cubans," a spokesman for Mr Manuel Marín, who is responsible for Latin American Affairs at the European Commission, told reporters in Brussels. The comments followed talks in Brussels yesterday between Mr Marín's deputy, Mr Miguel Anacoreta, and a visiting Cuban Deputy Foreign Minister, Mrs Isabel Allende.

"fruitful" but did not respond directly to the Commission spokesman's comments. The Commission indicated the Cuban side needed to show more flexibility towards European proposals for political reforms and increased economic liberalisation to accompany a co-operation agreement.

The Commission spokesman said informal dialogue with Havana would continue, as would the EU's humanitarian aid to the island. "We can get back together at any time," he added.

European diplomats said they understood Mr Marín had specifically sought reforms to Cuba's penal code, which bars political opposition, and an expansion of the private sector in Cuba's economic reform process.

ment crackdown against Cuban political dissidents who tried to hold a political meeting on the island on February 24, and then because of the shooting down by Cuban MiG fighters on the same day of two small US aircraft crewed by Cuban exiles.

Modern-day slavery in the Amazon

Angus Foster on Brazil's campaign to combat rural labour abuses

The Brazilian authorities invaded a farm deep within the Amazon state of Rondônia last month. They found exactly what they were looking for but hoped not to find - nearly 200 people who officials claim were modern-day slaves, being forced to work for no pay and prevented from leaving.

more than 25,000. Most of the cases involved forest clearance and sugar cane cutting. According to a recent book on Brazil published by Anti-Slavery International, land clearance in the Amazon has involved slave-like labour ever since the government started offering incentives to develop the region in the 1960s.



Forced labourers in the Amazon: despite slave-like conditions in many of the camps some workers return voluntarily

showed that the problem is related to Brazil's poor record on combating poverty and improving education, suggesting a real solution is far away. The labour ministry officials and police took out 188 people from the farm, and say only three workers wanted to stay when given the choice. The authorities also discovered that two people had died from work accidents since the group arrived at the end of January.

"In the store house [where the workers have to buy all food] they had noted down only what people consumed, not the price - that's usually decided later, when it comes to closing the accounts," according to Mrs Rodrigues.

As a sign of the problems the authorities face, some workers now say they did not want to leave. Late last month about 20 of them were waiting to go back into the forest, staying at a boarding house run by "Carla", a typical location for gatus to buy workers' labour by paying off their bills.

working in the forest, even for no salary, is the best job on offer. "If it wasn't for people like Donizete and Carlos, we'd all be on the street eating rubbish," he says.

Advertisement for JAL Mileage Bank. It features a large graphic of a banknote with 'NIPPON' and 'JAL MILEAGE BANK' visible. Text includes: 'No one ever expects to receive a tip in Japan. In fact, offering one could even be regarded as an insult. One useful tip, however, is to join the JAL Mileage Bank Europe programme. Then every time you fly with Japan Airlines you'll be able to collect mileage credits towards free flights, upgrades, holidays and hotel accommodation. Mileage credits can also be collected and redeemed on the Air France and American Airlines* networks worldwide, and collected from over 260 hotels. Call your travel agent or local JAL office and book a ticket. It could be the start of a very rewarding relationship. JAL Japan Airlines A BETTER APPROACH TO BUSINESS'.

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Business calls for competition reform

By Stefan Wagstyl, Industrial Editor

The Confederation of British Industry, Britain's largest employers' lobby, yesterday called for a shake-up of competition law, including curbs on the government's role in adjudicating takeovers, cartels and anti-competitive practices.

The statement, issued in response to a government consultation paper on competition policy reform, marks a shift in the CBI's position. In the past, its views have broadly been in line with the government's, which has proposed modest reforms of the current competition regime. But in calling for limits on ministry powers to intervene and for financial penalties for offenders against competition law, the CBI has now demanded bigger changes than the government is contemplating.

opposed calls for uniting the Office of Fair Trading and the Monopolies and Mergers Commission, the two main competition watchdogs. Mr Julian Armstrong, chairman of the CBI's competition panel said the CBI wanted to keep the "checks and balances" of the present system whilst making it more effective and bringing it closer into line with EU competition law.

and overall responsibility for investigations. It would be renamed the Competition Authority. The Monopolies and Mergers Commission, which now carries out in-depth probes of competition issues, would have its investigative powers transferred to the OFT. It would be recreated as a tribunal, headed by a judge and called the Competition Commission. The commission would hear cases brought by the OFT, and decide whether mergers could go ahead and on what terms. In cases of alleged abuses of

competition law it would fix penalties. The government would also lose the power it now has to throw out OFT probes of merger cases even before they reach the MMC. The CBI said it backed government plans to tighten the law on cartels, bringing in a legal prohibition of cartels, backed with fines, in common with European Union law. Unlike the government, the CBI would also like to extend prohibition-based law to cases of companies resorting to anti-competitive practices, such as predatory pricing.

Patience stretched over EU beef ban

By Financial Times Reporters

Mr Douglas Hogg, agriculture minister, has warned of growing impatience in Britain over the European Union's continued ban on beef exports, which he said risks damaging the UK's view of Europe.

Organisational shake-up planned

LLOYD'S

A sweeping cost-cutting and reorganisation programme within Lloyd's of London's central organisation was foreshadowed yesterday by Mr Ron Sandler, the chief executive. Writing in Lloyd's annual report, Mr Sandler said Lloyd's had started work on a new business plan covering the period after the implementation of the market's recovery plan, due this summer.

The central Lloyd's organisation - or "corporation" - generated a deficit of £13.5m last year compared with a surplus of £7.4m the previous year. Overall profit figures for the market will be reported next month. Costs associated with setting up Equitas, a giant reinsurance company Lloyd's plans to take responsibility for billions of pounds of US liabilities, reached £5.1m and are expected to reach £110m. Extra expenses were also incurred on professional fees, which reached £7.2m on matters related to the market's recovery plan and £4.7m on other legal issues.

Banned Barings chief 'pleased with settlement'

By John Gapper, Banking Editor



Mr Peter Norris, the former chief executive of investment banking at Barings, yesterday became the first person to accept a three-year ban on working as a director in the City of London following the bank's collapse more than a year ago.

Mr Norris, who resigned from ING Barings after the collapse and is working as a management consultant, reached a settlement with the Securities and Futures Authority, the City regulator. He is being removed from the SFA's register of directors for three years, and is paying £10,000 (£15,100 costs to the authority). Mr Norris escaped being declared "not fit and proper" and could still work as a corporate financier.

One of nine former senior managers at Barings who faced bans of up to three years, Mr Norris said that he had no intention of seeking work in the City at the moment. He was "pleased to have reached a settlement".

Mr Norris faced discipline from the SFA as the senior executive officer of Barings Securities, the stockbroking subsidiary of Barings, which was brought down by £530m of

derivatives losses amassed by Mr Nick Leeson.

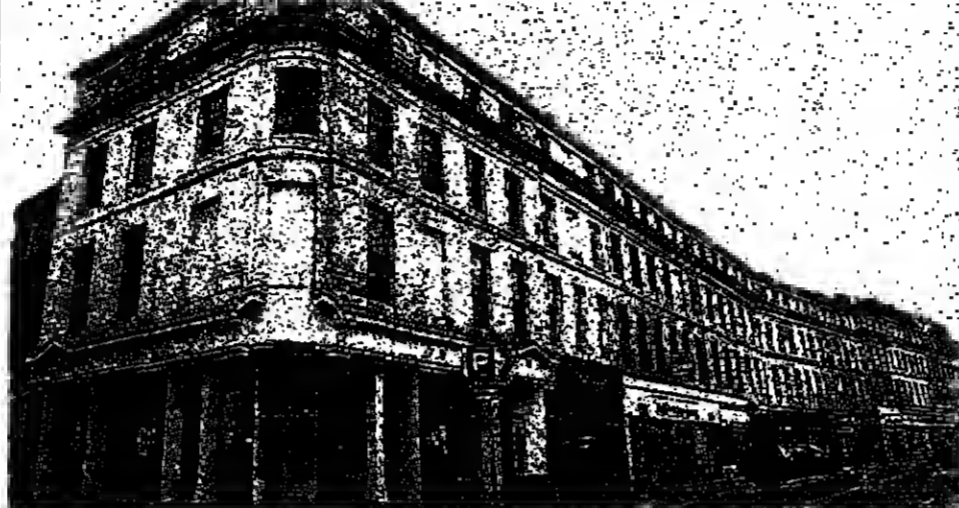
Mr Ron Baker, the former head of derivatives at Barings, yesterday started an appeal against the SFA verdict. Mr Baker is appealing to an independent tribunal.

The SFA said Mr Norris had "acknowledged that by virtue of his position as chief executive officer of Barings Investment Bank, he shares responsibility for the circumstances which led to the collapse of Barings".

It said he had "failed to act with due skill, care and diligence" last year in not trying to get Mr Leeson to reduce his trading positions in futures on the Singapore and Osaka exchanges.

Mr Leeson is serving a jail sentence in Singapore. Mr Peter Baring, the former chairman of Barings, and Mr Andrew Tuckey, former deputy chairman, have both been cleared of offences by the SFA.

The findings against Mr Norris emphasise his role as a member of the asset and liability committee, which was supposed to oversee trading. Mr Baker was also a member of this committee.



Grainger Town's crumbling facade underlines the need for reinvestment

Grant aid directed towards revamping old city centres

By Chris Tighe in Newcastle upon Tyne

The city of Newcastle upon Tyne in the north-east of England has one of the grandest city centres in the country - and a 1.5m square foot problem.

More than half the 458 buildings in the city's Grainger Town conservation area are listed - protected for their historical importance - but 47 per cent of these buildings which have been left vacant or used only at ground floor level are deemed at risk. In this 28-hectare area, 1.5m sq ft, one-third of the space, lies unoccupied.

Last month one of the largest solicitors firms in the north-east, Dickinson Dees, announced that it was to relocate from Grainger Town to a new city development. This has underlined the urgency of a problem common to many British urban centres - how, in the coming century, are historic city centres going to earn a living? What, indeed, is a city centre for?

Nine hundred businesses are based in Grainger Town but not even its vibrant nightlife can cloak its unwanted offices, neglected upper floors and crumbling facades - indicators of low property values and lack of commercial confidence.

Over 30 or more years, office relocations, out of town shopping centres, the drift to the suburbs, traffic problems and the vicious circle of lack of confidence have contributed to the city centre's decline.

But in an effort to buck the trend, several million pounds of grant aid has triggered housing schemes on upper floors. The national campaign group, Living Over The Shop (Lots), has seen projects mushroom in urban centres nationally since rules on buying or leasing part-commercial property were relaxed in 1988.

In addition English Partnerships, the government's regeneration agency, has offered around £3m (£0.2m) over five years, making Newcastle its most comprehensive city centre revitalisation initiative. The city council and EP are now finalising a scheme aimed at ploughing in more than £40m of EP, European Union and National Lottery money to revitalise the area.

Coca-Cola's London oasis

By Roderick Oram, Consumer Industries Editor

Coca-Cola & Schweppes Beverages could be facing one of its greatest creative marketing challenges. Images of snowcapped mountains or idyllic pastures will not be enough, for its newest water source is 100 metres beneath its north London factory, a site bounded by one of the capital's busiest roads and the River Lea.

The company wants to pump up to 360 m³ of water (360,000 litres) a day to use as the main ingredient in Oasis.

its upmarket adult soft drink. So pure is the water, it might qualify for mineral water status, the company says.

CCSB, a joint venture between Coca-Cola and Cadbury Schweppes, the leading UK soft drinks producer, is reluctant to say more about the source but scientists approve of its choice. "It should be quite tasty, shall we say, from dissolved salts," says Mr Vin Robinson, principal hydrogeologist for the Thames region of the Environment Agency. "But what's wrong with tap water?"

was a problem of its making. "New Age" adult soft drinks are one of the fastest growing sectors of the market. CCSB entered it late last year with Oasis, a blend of spring water and fruit juices.

The competitive picture is complicated. Samples from Quaker Oats is the longest established and most successful in the category. Coca-Cola launched Fruitopia in the US as its riposte. But in the UK Coca-Cola had to launch it through an independent channel because Cadbury Schweppes, its UK partner, had moved in first with Oasis via CCSB.

Recycling conformity adrift

Mr John Gummer, the environment secretary, yesterday dismissed criticism of a planned recycling agreement with the packaging industry, but admitted that the government would probably miss the European Union's June 30 deadline for legislation.

Mr Gummer said an agreement between companies and the government on environmental protection, which would implement a European Union directive on recovering packaging waste, would cost industry between £50m (£75.5m) and £100m a year. He said that this would be far cheaper than the costs of recycling to German industry as part of the "green dot" system developed by the German government, which he estimated at DM40n (£5.6bn).

The British plan, which shares costs for increased recovery all along the packaging chain, has been viewed with suspicion by Conservative backbenchers and deregulation officials. But while denying any friction in Tory ranks over the plan, Mr Gummer admitted that the draft regulations being hammered out by industry and business would probably miss a deadline of June 30 for legislation to be in place.

The scheme is in response to Mr Gummer's invitation to industry to help him implement the EU directive requiring 50 per cent to 65 per cent of packaging waste to be recovered annually by the year 2000 - rather than being sent to landfill - including 25 per cent to 45 per cent to be recycled.

Leyla Boulton, Environment Correspondent

Jersey regulates finance advisers

Jersey is to regulate the activities of investment advisers, discretionary portfolio managers and securities dealers for the first time in a move designed to maintain the island's access to the UK investment market.

In spite of a generally clean record, Jersey was one of the offshore centres used by Barlow Clowes, the investment management company run by Mr Peter Clowes, which collapsed in 1988. Remittances received from clients were paid into client bank accounts in Jersey but then diverted rather than being invested in UK government securities.

Under Treasury rules the government will maintain Jersey's position as a designated territory - allowing locally based funds to market themselves in the UK - only if the island's investment regime matches that of the UK.

Philip Jeune in Jersey

Corporate rescues to be debated

The Bank of England is to host a conference of senior bankers on May 30 as part of continuing efforts to forge an international understanding on how to deal with complex cross-border rescues of companies in financial trouble. The Bank is seeking the views of bankers from Europe, the US and Japan on extending the so-called "London approach", developed in the UK to deal with large corporate collapses. Insolvency experts believe the co-ordination possible under the "London rules" has saved many large businesses. At present cross-border corporate rescues can be frustrated by a wide range of different insolvency procedures.

Jim Kelly, Accountancy Correspondent

Teaching standards attacked

The government renewed its attack on teaching standards in primary schools yesterday after an inspectors' report named poor teaching as the chief reason why 21 per cent of seven-year-olds in three London boroughs cannot read.

Mrs Gillian Shephard, the education and employment secretary, announced a series of controversial measures. These included legislation to allow inspectors to make "spot check" tests on pupils, publication of league tables for teacher training colleges and giving local education authorities responsibility to improve standards in schools.

She said that the report made clear that resources were not the problem. She highlighted a passage in the report which concluded that "at the heart of the problem is a commitment to methods and approaches to the teaching of reading that were self-evidently not working".

The inspectors found that 80 per cent of seven-year-olds had reading ages below their actual ages. But the poor teaching practices identified were only part of a complex series of issues which lowered standards in the boroughs. All three have high levels of social deprivation and large ethnic minority populations. The report showed these factors affected reading ability more than the effectiveness of schools.

John Authers, London

UK new car registrations - Jan-April 1996

Table with 4 columns: Volume, April 1996, March, and April 95. Rows include Total market, UK produced, Imports, Japanese makes, Ford group, and various car models like Ford, Jaguar, General Motors, etc.

Private motorists boost registrations

By John Griffiths in London

New car registrations leapt by more than 17 per cent in April, the largest year-on-year upturn for a single month for several years.

The rise sent a wave of cautious optimism through the motor trade and industry that consumer confidence may be returning. The figures are based on statistics from the Society of Motor Manufacturers and Traders published yesterday, which showed registrations to private motorists accounted for a substantial part of the increase.

The optimism was tempered by the fact that there were more selling days in April this year than in the same month a year ago. But this was estimated to account for only a small part of the increase. "The upturn really does appear to be genuine", Rover Group said. This attitude was echoed by Peugeot's UK subsidiary, which said "things really do seem to be moving up; there's an air of optimism about".

Reductions in personal taxation levels set out in the last Budget, and which went into effect last month, were seen as

a possible factor in the upturn. The SMMT's statistics showed that new car registrations to private motorists were 15.9 per cent higher last month compared with the previous April, reversing a year of almost unbroken decline. However, private motorists' share of last month's total of 162,618 new car registrations remained at 43 per cent, the same as April last year. This was because fleet and business registrations rose even more sharply, by 18.4 per cent.

The upturn did little, however, to suppress the war of words between the SMMT and the main retail motor trade organisations, the Retail Motor Industry Federation and the associated National Franchised Dealers Association.

The retail groups have been arguing strenuously that car manufacturers need to lower prices considerably, and make lower specification models available, if private motorists are to be wooed back into showrooms. And "despite the upturn, the ratio of sales between private and business cars is still widely out of line", Mr Alan Pulham, the NFDA's director, said last night.

Metering 'solution' to water crisis

By Leyla Boulton, Environment Correspondent

Metering is the only solution to the summer water shortages. Mr Ian Byatt, the water industry regulator for England and Wales, said yesterday.

Mr Byatt, director-general of Ofwat, defended his regime for privatised water and sewerage companies from recent attacks, sparked mainly by hosepipe bans last summer.

But he acknowledged there was room for improving the regulatory system - which limits the prices companies can charge - when he compared it to an adolescent who was "vigorous but sometimes gauche and with much still to learn".

Mr Byatt pointed out that water charges, which are levied according to ratable values, did not "reflect costs" of increased water use for hoses and sprinklers. Sprinklers consume as much water in an hour as a household uses in two days.

A few companies have already made metering compulsory for households using sprinklers. But the government has been wary of pushing metering for fear of being accused of seeking higher charges for poorer households.

In a possible hint that too many different agencies regulated water companies for different problems, Mr Byatt suggested that the government should review the job it expected Ofwat to perform. The Environment Agency is in charge of deciding how much water companies can extract from rivers to avoid damage to the environment, while another office is responsible for monitoring the quality of drinking water.

Mr Byatt acknowledged the tension facing an industry which is expected to provide a public service and behave like a private business. "There should also be clarity about what are the proper objectives of the business... The privatised utilities may have paid too much attention to City matters compared with other aspects of the business."

Regulation of the privatised utilities has come under attack in recent months, fuelled mainly by increased charges for customers, executive pay packages, and a wave of takeover activity.

In the water sector, criticisms have been amplified by shortages, which the opposition Labour party has blamed on companies' failure to do more to tackle leaks and improve supply networks.

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Defence ministers give nod and a wink to the US

Changes in policy at the Ministry of Defence are hard to spot, and can normally be found only in the smallest hints and nods at the edge of official statements.

One such subtle shift seemed to appear in the annual defence white paper, published last week. The paper acknowledged that a restructuring of the arms industry was needed in the wake of falling defence spending, and said that British businesses should be working with both Europeans on the Continental mainland and US companies to achieve this.

This is a change from the department's position earlier in the year, which suggested that companies would do best to link with Continental partners.

defence procurement minister, acknowledged the change of tone. "We are increasingly collaborating with Europe, but not at the expense of our relationship with the US," he said.

"What we don't want to see is increasing European collaboration leading to an increase in protectionism in Europe and the US. We do not have a preference between cooperation with Europe and with America."

The conciliatory tone towards the US may be related to the large sums US companies are spending supporting their bids for UK missile and aircraft contracts. American manufacturers are strong contenders for £2.5bn (£3.7bn) of missile contracts now on offer, and are teamed with UK com-

MoD signals that arms industry should look beyond Europe

panies for the £2.5bn competition to replace Britain's ageing Nimrod maritime patrol aircraft.

But that line may not play so well in Paris or Bonn, where many industrialists say that if the US will not import foreign defence goods, Europe should not be open to US manufacturers.

Britain, which has moved towards Europe with its decision to join the Franco-German "battlefield taxi" programmes, could risk alienating Continental partners if it favours the US in other bids.

Mr Arbutnot was adamant that the MoD would not dictate how the industry should consolidate. "We don't have a blueprint that says that this or that other company should merge."

On the other hand, the MoD seems to accept that its power as the only buyer from the defence industry does give it a responsibility to help manufacturers.

"We have three missile procurement decisions to make and they will have an impact on the structure of the missile industry. We need to be conscious of that when we come to make our decisions, and we must not squander this opportunity," Mr Arbutnot said.

This newly accepted link to the fate of the arms industry is

a big change from two years ago, but has been arrived at almost by stealth in small moves. So does Mr Arbutnot think that European arms companies must move quickly to catch up with the rapid consolidation of the US?

"Speaking personally, I think there is some urgency about rationalisation. In air systems, for example, there is pressure for movement but companies have to be certain they can find the right deal."

"To take another example, in land systems the agreement we have struck over MRAP [the battlefield taxi] creates the conditions to allow the industry to consolidate. But if companies decide to take 10 years about that they will be left behind their international competitors. It is up to them."

BUSINESS AND THE ENVIRONMENT

Winning ways with waste

William Macdonald on a scheme to turn organic matter into compost

An innovative technology that is already used widely in Germany for turning waste into compost is being promoted for the first time in the UK by a Scottish local council.

Two 55-tonne computer-controlled composting boxes have been installed at the site of the old aluminium smelter at Invergordon, closed down in 1981. The plant will produce 1,500 tonnes of compost each year from 3,000 tonnes of organic waste.

The £600,000 scheme is part of a recycling project set up by Ross and Cromarty District Council, now part of Highland Council. The aim is to cut down on refuse disposal costs and in particular to avoid the government's landfill tax, which comes into operation in October.

Tom Anderson, the council's senior principal environmental health officer, says: "Landfill tax will increase every year, as the chancellor is not going to miss the chance to collect such an easy tax."

There are already some local authority composting schemes operating in the UK. The process, which is carried out in large sheds, can work well, but requires large volumes of material to be successful. Also, it can be very erratic, lengthening the composting time and lowering the product quality.

The new technology involves boxes produced by Herhof Umwelttechnik, the German environmental technology company. These overcome some of the limitations of existing local authority composting schemes.

Specially developed filters ensure that there are no odour problems and because the units are hermetically sealed there is no possibility of groundwater becoming contaminated.

The boxes can produce usable compost within seven to 10 days, although for some applications a further one or two composting stages are required. Initially, the council will use the compost for its own landscaping. It hopes eventually to sell it in garden centres, as happens in Germany.

This type of composting technology has been available since 1987 in Germany, where 150

such systems are running already. But Britain has been very slow on the uptake.

Ulrike Frenken, of Herhof's export department, says: "One reason why this kind of technology is more popular in Germany than in Britain is that landfill space is very rare in Germany. As long as landfill costs are rather low in Britain, there is no reason for politicians and to support this development and to pay higher prices for treating their wastes. Furthermore, the German laws for environmental protection are strict, and in some Länder [states] composting of organics is prescribed by law."

In a recently published white paper the UK government set out a strategy for sustainable waste management which set new targets for municipal waste and composting. It repeats the target set in 1990 to recycle 25 per cent of household waste by 2000, but a new target has been added of recovering 40 per cent of municipal waste by 2005.

Buttressing the main target are several secondary targets. One is to have easily accessible recycling facilities for 80 per cent of households by 2000. This is likely to be achieved largely by the provision of additional facilities to meet the targets set by European Union directives.

However, the strategy also gives a much greater emphasis on composting because of official fears that the recycling target will otherwise not be met. The white paper states that 40 per cent of homes with gardens should carry out home composting by 2000 and that 1m tonnes of organic and household waste a year will be composted by the same date.

Finally, all waste disposal authorities in England and Wales will be asked to consider the potential for establishing central composting facilities for garden waste, as well as other organic waste from commercial sources, by 1997.

As landfill becomes increasingly expensive and environmentally difficult, innovative recycling schemes such as the Ross and Cromarty model will increase in importance.

A £525m experiment to develop a new and virtually non-polluting energy source has just entered the final phase of its programme.

Known as Jet (Joint European Torus), the experiment, at a site near Abingdon in the UK, is the first part of a multinational research programme to develop nuclear fusion as a competitively priced energy source for the future. Plans are already under way for the second and third stages of the programme which include the design and construction of a more advanced research facility, and finally, a demonstration power station.

If all expectations are realised, a fully operational nuclear fusion power station could be on stream by the middle of the next century, when world energy demand is expected to have doubled and fossil fuel reserves will be running low.

As an energy source, nuclear fusion produces none of the greenhouse gases or acid rain emissions associated with other forms of energy production. And by careful selection and development of materials with low radioactivity potential, long-term waste storage can be minimised.

The energy is produced when light atoms such as hydrogen become fused together to form heavier ones such as helium.

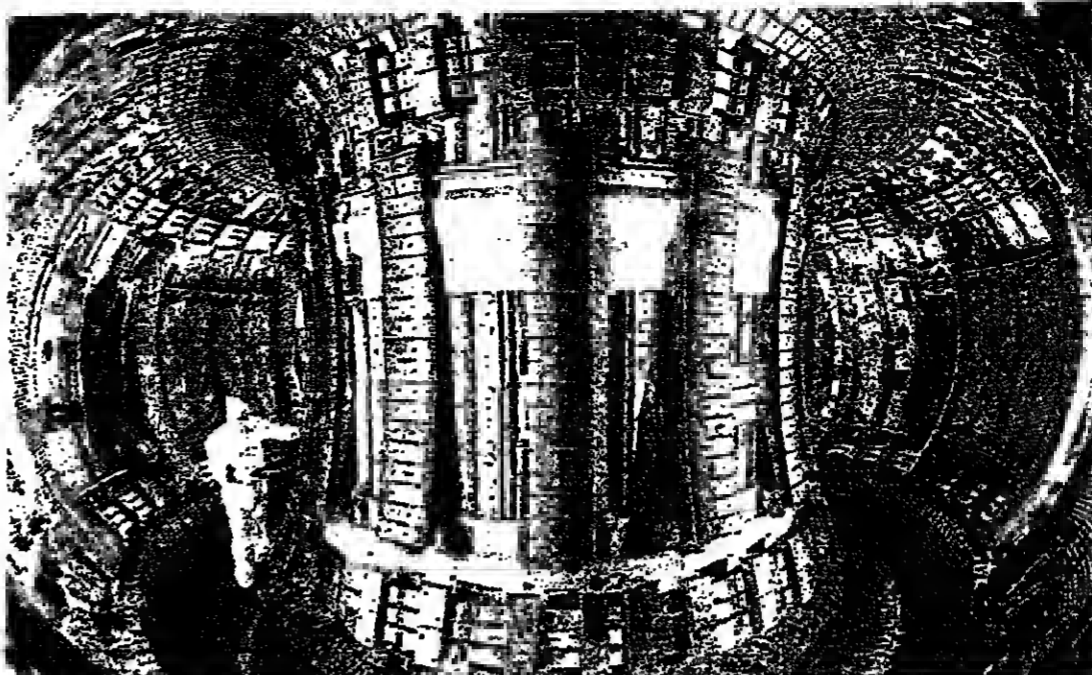
Although this process takes place continuously in the sun, achieving the same results on earth requires temperatures of between 100m°C and 300m°C, about 10 times hotter than the sun.

In the Jet experiment the fusion process takes place inside the "torus". This specially designed vacuum chamber, which measures 10m across and looks like a giant doughnut, has already achieved temperatures in excess of 30m°C.

The basic fuel used in the experiment is deuterium, a form of hydrogen which is easily extracted from water. When this is mixed with tritium, a radioactive form of hydrogen, and heated in between 100m°C to 200m°C, fusion occurs. Tritium is made within the torus from lithium, which is available in amounts sufficient to supply the world's electricity needs for at least 1,000 years.

Tom Elsworth, Jet spokesman, says the process is inherently safe because of its slow reaction rate. "There is only 1g of fuel in the system at a time and in the event of any breakdown the reaction would instantly be quenched." One gram of fusion fuel produces the equivalent amount of energy as 10m grams of oil.

Jet has been operating for 17 years, and one of its remaining goals is to generate 10MW of fusion power for a few seconds using an equal mix of deuterium and tritium.



The interior of torus during inspection. The experiment represents one of Europe's biggest engineering challenges

Jet gets off the ground

Frances Barthorpe looks at an experiment to make nuclear fusion an energy source for the future

Apart from one occasion, all the experiments have been conducted using just deuterium, which is non-radioactive, to keep the activation of the vessel to a minimum.

In 1991, when a mix of 90 per cent deuterium and 10 per cent tritium was used, about 2 megajoules (about the equivalent of 2MW) of energy was produced for a period of two seconds.

"These experiments are as close as Jet can get to full ignition," says Elsworth. "In other words we are at the point of putting a match to the log fire. Once this is lit, all that will be needed is a constant supply of fuel to keep the process going."

But Jet is not designed to achieve full ignition. This will fall to its successor, ITER (the International Thermonuclear Experimental Reactor), an experimental reactor which will be capable of generating 1,500MW of power for periods of up to 30 minutes.

The technical knowledge and experiences gained from operating Jet are being used to draw up a

detailed engineering design for ITER. Begun in 1992, it will be two years before the design is complete.

As yet no decision has been made about where ITER will be built and by whom. But its cost is put at \$6bn (£3.9bn) at today's prices, spread over 10 years. This will be divided between the US, Japan, Russia and the European Union, says Elsworth.

The European Atomic Energy group, Euratom, has provided some 80 per cent of the cost of Jet. Of the remaining 20 per cent, half has come from the UK's Atomic Energy Authority as the host country, and half from the other countries involved in the project, which include Sweden, Switzerland, Greece, Ireland and Luxembourg.

Jet has also received a great deal of practical help from industry, which has benefited in exchange from many technology spin offs.

GEC Alsthom, the Anglo-French engineering group, has been heavily involved in the construction and installation of Jet since it began. "We have supplied what was

just standard industrial equipment, but for a unique purpose," says Mark Clarke, contract manager. "Now we are reaping the benefits. The experience we have gained in new technologies and in the handling of new materials has applications in other spheres of engineering."

One of these materials was beryllium, a toxic material presenting hazards similar in nature to asbestos. This was installed in Jet in 1988. "We have gained valuable knowledge on its handling."

Jet has been described as Europe's largest and most complex engineering challenge and the experience gained during its operation has been invaluable.

If present progress continues it is perfectly feasible that a nuclear fusion power station could be providing mankind with an abundant power source in the future.

"Although, realistically, it is unlikely to be cheaper than current energy sources it will certainly be much cleaner," says Elsworth.

A house for all weather

A house under construction in East Anglia may be the first in Britain to be designed to cope with predicted climate change.

Experts say the warming of the earth's atmosphere could bring more extremes of weather, including droughts followed by heavy rainfall, as well as increased incidents of storms.

The new, mainly wooden, house being built at Palgrave in Suffolk for architect Neil Winder and his family, is on concrete foundation stilts, partly to protect against flash floods.

The heavy-duty stilts are also designed to combat increased risk of subsidence which could follow long droughts in clay areas such as East Anglia, which is already the driest region in England.

Winder says he has also devised ways of strengthening the house, including the panted roof, in order to better withstand storm-force winds.

Large rain water gutters, made of timber and lined with galvanised sheet, have been installed to cope with sudden deluges, allowing water to spout into a nearby ditch rather than being fed into downpipes.

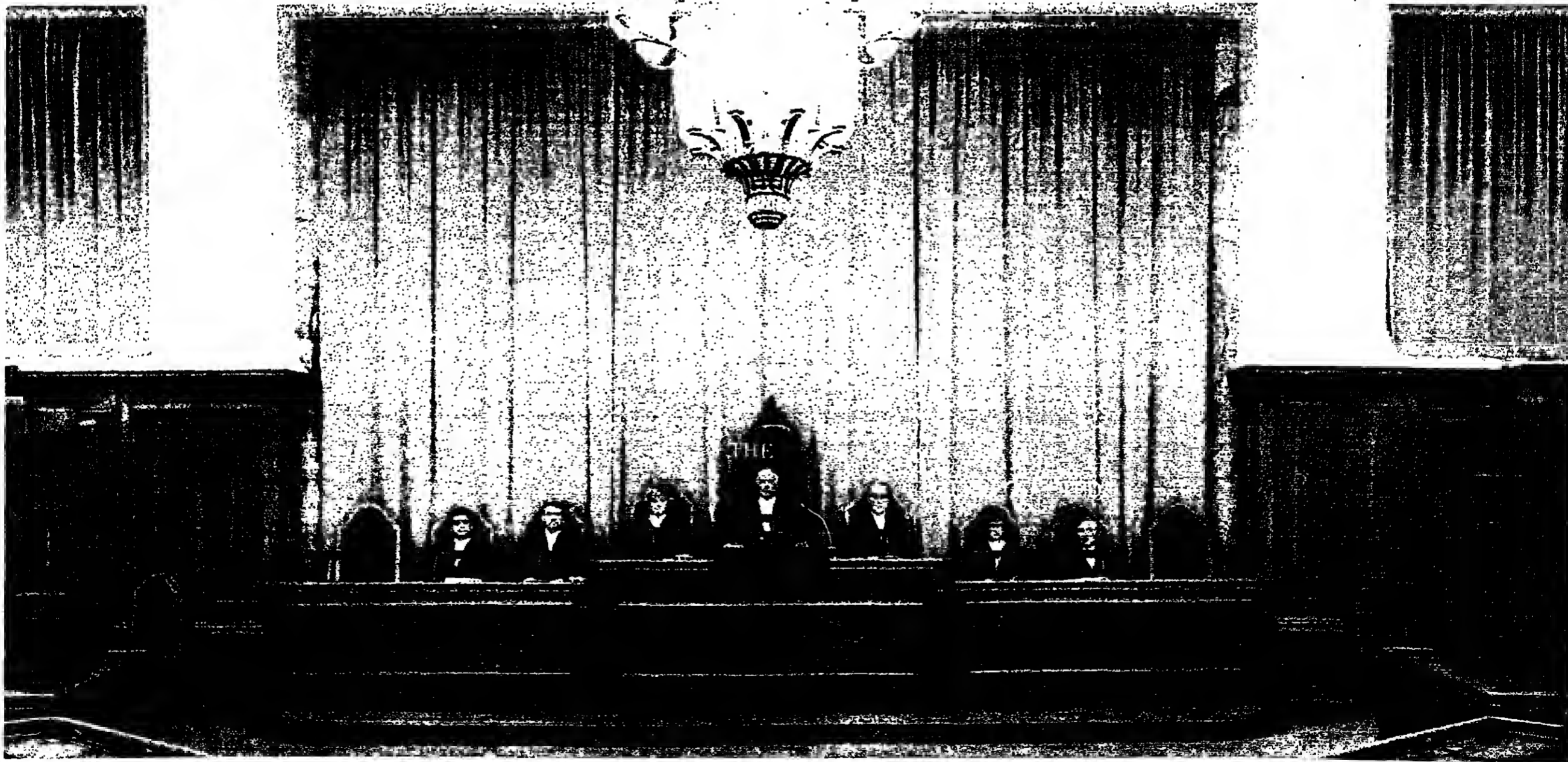
The building project is aimed at minimising impact on the environment and use of materials such as plastics and lead has been kept to a minimum.

Much of Winder's work as an architect is with medieval buildings. In designing a new home he has tried to combine the lessons of the past with the opportunities afforded by modern technology.

The 8in-thick timber walls, insulated with material made from recycled newspaper, are designed to allow temperatures inside the house to respond quickly to extremes of temperature outside.

Internal heating will be provided by a Russian-style stove which will burn locally coppiced timber and will reach temperatures of between 1,000°C and 1,100°C.

David Green



Once upon a time, a company had a clear-cut purpose and a simple set of responsibilities: produce, prosper, pay taxes. Over the years, however,

corporate life has been getting tougher. A growing number of interests have to be reconciled. How can you satisfy consumers, shareholders, employees, the

environment, the community and the state all at the same time? With the threats of liability law suits multiplying, traditional insurance thinking is

not the answer. Instead, reliable methods of risk analysis and risk engineering must be systematically applied. A leading global insurer is more

likely to have the professionalism and strength to provide them to the same high standard worldwide. And the experience to show you results.



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ARTS

Television/Christopher Dunkley

A peculiar performance

Bored to tears, were you, by the snooker final over the bank holiday weekend? Less than dumbfounded by the novelty of last night's new ITV drama series about... the police? (How much do you suppose they pay the people at ITV Network Centre who decided that after *The Bill* at 8.00 what we really needed at 9.00 was another police series running up to the ten o'clock news and then continuing for another 50 minutes afterwards?) So why were you not watching *The Quincentennial Peggy Lee* on Monday and *Coppelia* danced by the Kirov last night? The answer, probably, is that like most people you do not have cable television and consequently cannot watch the Performance channel.

Single subject networks are pretty common on cable and satellite systems. MTV and VH1 offer nothing but pop music. Sky News and CNN provide 24-hour news services. QVC allows you to buy kitchen gadgets and costume jewellery from your armchair day and night. And the Performance channel - available only on cable, not via satellite - is dedicated to the performing arts.

In the past ten days or so you could have watched Verdi's *Otello* filmed in the immense Verona amphitheatre; *Die Fledermaus* with Domingo conducting and Kiri Te Kanawa singing; a whole raft of Rossini operas: *The Thieving Magpie*, *The Silken Ladder* and, much rarer, *Il Signor Bruschino*. There have been jazz concerts by Duke Ellington, Art Blakey and Art Farmer. Ballets have included *The Sleeping Beauty* and *Coppelia*, both danced by the Kirov, and Glen Tetley's *The Firebird*. And among the orchestral music on offer has been Beethoven's Ninth, Berlioz's *Symphonic Fantastique*, and a gala concert featuring Joan Sutherland and Marilyn Horne.

Of course none of it was live, some was new, most was several years old, and some was recorded as much as 15 years ago. Spending a week or so concentrating on the channel is a peculiar experience, not least because it seems to have attracted only half a dozen advertisers so that, within a couple of days, you know all the commercials by heart: Renault Espace, Aqua Fresh toothpaste, and Dawn French bawling "Chocolate!" as an example of how you might spend the money you could save on your phone bill by installing cable. What is the point of advertising cable to those who already have it?

The peculiarity does not end there. This channel operates from 7.00 pm to 1.00 am every night. The last programme on Tuesday last week was a concert in tribute to Sidney Bechet by Bob Wilber. Switch on next day at 7.00 for the start of transmissions and what do you find? Exactly the same programme. No doubt it will be said that this is not a network which anyone is expected to stay with for the entire evening, day after day. Even so, some of the scheduling does seem a bit odd.

Thursday brought *Symphony For The Spire*, a recording of the 1981 concert sponsored by Prince Charles to help raise money for the spire of Salisbury cathedral. This included extracts from *Aida* and several appearances by Charlton Heston who read from Deuteronomy and joined Kenneth Branagh in scenes from *Henry V*.

Discover prior to transmission anything other than the bare title of a programme; without switching on you cannot know who will be singing in an opera or conducting a concert, or which bands will appear in a jazz programme. Neither *Radio Times* nor any of the specialist satellite and cable listings magazines has anything more than titles.

Sometimes even when you do switch on and wait for the announcements you are completely misinformed. That Bechet tribute was referred to repeatedly by the announcer as a tribute to "Sidney Bechet", suggesting not only that he had never heard of the man, but had not watched the programme either because Bechet's name was, of course, pronounced correctly within the programme. More absurd still, on Wednesday we were invited to prepare ourselves for "the glory of Mozart's sublime Clarinet Concerto in A-Major as Performance presents Richard Stoltzman in Concert", whereupon Stoltzman played the Brahms Clarinet Quintet in B-Minor.

The Performance channel states that it has 1500 hours of opera, 600 hours of ballet, 300 of classical music, 200 of jazz and blues, and 100 of contemporary dance. That is a remarkable stockpile, and much of it features the world's top artists: Jessye Norman, Julian Bream, Maria Ewing, Janet Baker, Deane Cotrubas and many others have all appeared in the past week in addition to those already mentioned. Indeed the channel could be criticised for clinging too fearfully to star names and for not changing its arm enough and giving opportunities to younger and less well known talented performers.

Anyway, however many hours they may have on tape, as you watch the output you do sometimes begin to wonder whether this entire operation consists of anything more than a couple of people slapping cassettes into machines and announcing (or mis-announcing) what comes next.

Could it be that they suspect nobody is watching?

Theatre

Finely-tuned Chekhov

Two of the biggest traps that a Chekhov production can fall into are plodding or wafting. Thankfully, Max Stafford-Clark's Out of Joint production of *Three Sisters*, now arrived at the Lyric Theatre, Hammersmith, neither plods nor wafts: it moves briskly and nimbly. And while it might not offer a laugh a minute, the lucid observation in Stafford-Clark's staging brings out all the absurd and comic details of behaviour that make Chekhov such an endlessly watchable playwright - the way people splutter, mumble, talk over one another, stare into space and lurch in and out of speech.

Occasionally they seem over the top, until you look about you in the interval and realise that, if anything, Chekhov was understating. As Tuzenbakh mournfully observes at one point in the play, people change very little in essence.

This may all seem incidental, but as Stafford-Clark's production so eloquently demonstrates (helped by a fluid new translation from Stephen Mulrine), it is through the minor details that Chekhov creates the fabric of life and convinces you, as the evening progresses, that you have truly eavesdropped on one family's evolution over the years.

So it is that you absorb the sad undertow of the play, as you watch the characters submit to the slow thickening of time. In this production Jeremy Swift, as Andrei and Dinah Stabb as Olga are exceptionally good at conveying the bewildering way people suddenly find themselves living a humdrum life. Swift's pudgy, good-natured face and floppy hair, charming in youth, seem to sag sadly as the evening wears on, while we watch Stabb's Olga slowly dry up into the respectable, tired headmistress she never wanted to be.

Indeed, all the characters are precisely observed and thoughtfully developed over the several acts. There are fine performances from the spouses, Brian Protheroe as Masha's increasingly dogged husband and Jenna Russell as Andrei's ever more alienated wife - casualties of a household in which each find their own strategies for survival.

Barnaby Kay's well-meaning Baron Tuzenbakh and Lloyd Hutchinson's dour, odd Solony are also impressive, while you can believe of Nigel Terry's spruce and energetic Vershinin that Masha would fall hopelessly in love with him. No simplistic out-and-out cad, he combines genuine, attractive enthusiasm for debate and romance with a selfish, slippery ability to shrug off unwanted responsibilities.

Perhaps the most interesting aspect of the production is the way that the sisters themselves are presented. Frustrated and almost heroic in their fortitude, they can also be bossy, snobbish and tiresome. Kate Ashfield's Irina, far from being just a charming ingénue, is coltish and rather Stoney, spout yet touching. Gabbling her words as if they might grow stale in her mouth, she bursts with an energy that gradually solidifies into determined stoicism. And Catherine Russell's flighty Masha is captivating and infuriating at once, exploding into sudden radiant enthusiasm or black bad moods with equal unpredictability.

There are some shortcomings to the production. It is better on accumulated observation than on the heights and depths of passion into which the characters' frustration drives them. Julian McGowan's dark wooden set, while serviceable and credible, does not sculpt the mood of each act the way some can, and the ending is strangely heavy-handed. As the three sisters, abandoning their hopes of escape, muse on the meaning of their lives, Stafford-Clark lines them up to watch a child's spinning top - a reprise of a moment in the opening scene - allowing it to spin itself to a stop. While this is an effective symbol of the futility of life, it is also a rather obvious one, and an unnecessary gliding the lily since the play itself has said it all so eloquently.

But apart from this, Stafford-Clark's is a finely tuned production.

Sarah Hemming

Continues at the Lyric Theatre, Hammersmith, London W6 (0181-741 2311)



Interestingly unpredictable: (left to right) Dinah Stabb, Kate Ashfield and Catherine Russell as 'The Three Sisters' in Max Stafford-Clark's Out of Joint production

Concerts/Antony Bye

Inspirational Birtwistle

Since its premiere by the London Sinfonietta in 1983 and with no less than three recordings to its credit, Birtwistle's half-hour chamber masterpiece *Secret Theatres* has already achieved classic status, both at home and abroad. It thus made an especially fitting conclusion on Saturday to the South Bank Centre's extensive Birtwistle retrospective, "Secret Theatres", not least by way of an inspirational performance from the experienced Sinfonietta players under the galvanising direction of Diego Masson, effortlessly commanding in the score's rhythmic complexities and acutely sensitive to its inner *élan vital*.

Secret Theatres is, as its title suggests, the quintessence of Birtwistle's artistic preoccupations, harnessing his obsession with fixed though subtly varied repetition with the extended melodic freedom characteristic of his more recent music. Its exploration of the relationship between a perpetually changing group of soloists and a typically impervious backdrop of shudders, snarls, scratches and pulsations recycled in potentially endless permutation is a potent metaphor for evolving humanity's attempts, through ritual and role play, to extract permanent meaning and value from unbenevolent, inscrutable nature.

But to assume universal significance beyond the ephemeral and everyday, such an elemental vision can only be conveyed obliquely, through the allusively suggestive and inherently dramatic powers of music. The implication is that further attempts to clarify, beyond Birtwistle's stipulation that the players move seats according to their changing functions, run the risk of oversimplification, partiality, or misrepresentation. In the event, the movements enacted by the members of the Richard Alton Dance Company, whether intermittently in *Secret Theatres* or throughout the new work, *Bach Measures*, Birtwistle's surprisingly straightforward orchestrations of eight of Bach's *Orghelbüchlein* chorale preludes, proved neither enlightening nor baffling but inevitably redundant and distracting.

The experiment worked better with *Orpheus Singing and Dreaming* a choreographed version of Birt-

wistle's already explicitly dramatic cantata, *Nenia: The Death of Orpheus*, in which the singer not only narrates but impersonates both Orpheus and Euridice. But even though the two dances provided more focused contributions, they were nonetheless overshadowed by Nicole Tibbels's riveting delivery of the demanding solo part and the sheer magic of Birtwistle's musical response, a casebook study of how less can mean more.

That more can perhaps mean less, even for Birtwistle, was demonstrated at Thursday's Festival Hall concert in which Joanna MacGregor and the Philharmonia Orchestra under Peter Eötvös grappled with Birtwistle's recent piano concerto *Antiphonies*. This is a demonstration of the composer's growing ability to think in terms of longer spans than his denser textures, but it seemed too long for its material. Alongside lethargic performances of Stravinsky's *Symphonies of Wind Instruments* - pronounced by Birtwistle the seminal musical masterwork of the 20th century - and *Symphony of Psalms*, spooled by an over-large choir, and a fluent reading of Bartók's rarely played *Four Orchestral Pieces* - it sat uneasily in a strange programme only partially relevant to the festival.

Yet whatever the reservations, "Secret Theatres" has triumphantly confirmed Birtwistle's status as a major modern master. In an ideal world it would have found a place for other unequivocal testaments to his compositional mastery and singular vision, notably the opera *Punch and Judy* and the orchestral *Triumph of Time*, as well as works by other composers acknowledged to have influenced him, such as Webern, Varèse and Messiaen, and by contemporary masters, Carter and Ligeti perhaps, with whom his work shares certain affinities of intention - though not of realisation.

But as the enthusiastic, largely packed houses have shown, last year's rumpus over the *Proton* Last Night Panic has clearly been forgotten. Amongst British composers Birtwistle is without peer and on the world's stage can stand unabashedly - and unsecretly - as first among equals.

INTERNATIONAL

ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Sarah Walker, Tom Krause and Kelvin Grout: the mezzo-soprano, baritone and pianist perform works by R. Schumann, Mahler and Brahms; 8.15pm; May 12

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● Lenora Tawney: retrospective exhibition devoted to the work of this American textile artist. The display also includes collages and assemblages; from May 11 to Jun 30

BERLIN

CONCERT
Philharmonie & Kammermusikaal
Tel: 49-30-2514393
● Deutsches Symphonie Orchester: with conductor Vladimir Ashkenazy and pianist Olli Mustonen perform works by Tchaikovsky, Prokofiev and Mendelssohn; 8pm; May 10, 11

EXHIBITION
Berlinische Galerie - Martin-Gropius-Bau
Tel: 49-30-254880
● Anne Ratkowski - Eine vergessene Künstlerin der Novembergruppe: exhibition devoted to the work of the German painter Anne Ratkowski, a member of the Novembergruppe, a movement of Expressionist artists formed in Berlin in 1918. The display includes still lifes and portraits; from May 10 to Oct 13

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Un Ballo in Maschera: by Verdi. Conducted by Rafael Friberg de Burgos and performed by the Deutsche Oper Berlin. Soloists include Boiko Zvetanov, Helen Bickers, George Fortune and Gwendolyn Bradley; 8.30pm; May 11

BIRMINGHAM

THEATRE
Alexandra Theatre
Tel: 44-121-6435536
● Jane Eyre: by Charlotte Brontë. Directed by Charles Vance. The cast includes George Charkiris, Barbara Murray and Jill Greenacre; Mon - Sat 7.30pm, Tue, Thu also 2.30pm; to May 11 (not Sun)

CARDIFF

MUSICAL
St. David's Hall Tel: 44-1222-878444
● What a Feeling: a show featuring hit songs and dance numbers from movies and musicals of the last 20 years, directed and choreographed by Charles Augins. Featuring the Rock 'n' Pop Musicals Band, Irene

Cara, Sonia, and Felice Arena; 5pm & 8pm; May 11

GENEVA

CONCERT
Victoria Hall Tel: 41-22-3283573
● Orchestre de la Suisse Romande: with conductor Sergiu Comissiona and pianist Vladimir Vioro perform works by Dvorák, Rachmaninov, Sibelius and Kodály; 8.30pm; May 9

GLASGOW

CONCERT
Glasgow Royal Concert Hall
Tel: 44-141-3326693
● John Williams and Timothy Kain: the guitarists perform works by Westlake, Granados, Soler, O'Carolan/G. Garcia, Houghton, Browner, Verdey, Hand, Madlem, Bellinati, Takemitsu, Shostakovich, De Falla and Albéniz; 8pm; May 9

HELSINKI

OPERA
Opera House Tel: 358-0-403021
● Otello: by Verdi. Conducted by Miguel Gómez-Martínez and performed by the Helsinki Opera. Soloists include Gardar Cortes, Jukka Rasila, Matti Heikkinen and Hannu Malin; 7pm; May 10

LONDON

AUCTION
Christie's South Kensington
Tel: 44-171-5817611
● Maritime: offering a collection of pictures from the 19th century, including five paintings by Miles Walters (1773-1855) and his son Samuel Walters (1811-1882). Also

included are 40 watercolours by the Roux family and their followers who dominated Northern Mediterranean ship portraiture; 10.30am & 2pm; May 10

CONCERT
Royal Albert Hall
Tel: 44-171-5898212
● Verdi Requiem from Scratch: choral enthusiasts from all over Britain and many from abroad, gather to sing Verdi's Requiem Mass under the direction of Sir David Wilcocks; 7pm; May 10
Wigmore Hall Tel: 44-171-9352141
● Guildhall String Ensemble: with conductor Robert Salter and pianist Piers Lane perform works by Mozart, Dvorák, Fing and Beethoven/Mahler; 7.30pm; May 10

NEW YORK

CONCERT
Merkin Concert Hall - Abraham Goodman House
Tel: 1-212-5013330
● Members of the New York Philharmonic: with conductor Samuel Wong perform Tchaikovsky's Trio Sonata in E minor, Dvorák's Piano Quartet in D major, Op.23 and Stravinsky's L'Histoire du Soldat; 3pm; May 12

PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Ensemble Orchestral de Paris: with conductor Jean-Jacques Kantorow, Michel Galabru (recitative) and pianist Dmitri Alexeev perform Prokofiev's Symphony No.1, Piano Concerto No.4 and Peter and the Wolf; 4pm; May 12

DANCE
Théâtre National de l'Opéra - Opéra Garnier
Tel: 33-1 42 66 50 22
● Giselle: a choreography by Mats Ek to music by Adam, performed by the Ballet de l'Opéra National de Paris; 7.30pm; May 9

OPERA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Tosca: by Puccini. Conducted by Silvio Varviso and performed by the Opéra National de Paris. Soloists include Maria Guleghina, Nell Shicoff and James Morris; 7.30pm; May 9

ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Berliner Philharmonisches Orchester: with conductor Claudio Abbado perform Beethoven's Symphony No.7 in A major, Op.92 and Brahms' Symphony No.3 in F major, Op.90; 8.30pm; May 11

STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Die Fledermaus: by J. Strauss. Conducted by Kjell Ingebrigtson and performed by the Royal Swedish Opera. Soloists include Gunnar Lundberg, Esalas Tewolde-Berhan, Hilde Laidland and Sara Olsson; 7.30pm; May 9

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Ariane et Barbe-bleue: by Dukas.

Concert performance by the ORF-Symphonieorchester with conductor Michael Gielen. Soloists include Françoise Polet and James Johnson; 7.30pm; May 11

● Wolfgang Holzmair: accompanied by pianist Gérard Wyss. The baritone performs songs by Marx, Wolf-Ferrari and Wolf; 7.30pm; May 9

OPERA
Wiener Staatsoper
Tel: 43-1-514442960
● Otello: by Verdi. Conducted by Donald Runnicles and performed by the Wiener Staatsoper. Soloists include Giuseppe Giacomini, Julia Varady and Renato Bruson; 7pm; May 9, 12 (8pm)

WASHINGTON

EXHIBITION
Arthur M. Sackler Gallery
Tel: 1-202-357-2700
● Puja: Expressions of Hindu Devotion: an essential element of Hindu worship is "puja", an act of personal devotion to a deity. This exhibition contains approximately 125 bronze, brass, copper, wood, silver, granite, crystal, stone, terracotta and shell objects, made in India between the 8th and 20th centuries for use in worship; from May 12

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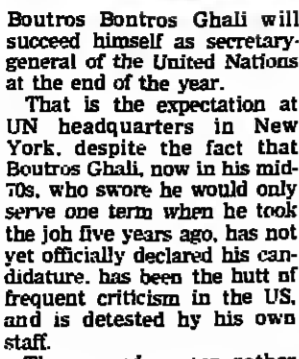
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NBC/Super Channel
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10.00
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Financial Times Business Tonight
CNBC:
09.00
Squawk Box
10.00
European Money Wheel
18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

Edward Mortimer

Tight hand on the purse

The financial crisis at the United Nations is not improved by the style of Boutros Boutros Ghali, who may decide to serve a second term as secretary-general



Boutros Boutros Ghali will succeed himself as secretary-general of the United Nations at the end of the year.

That is the expectation at UN headquarters in New York, despite the fact that Boutros Ghali, now in his mid-70s, who swore he would only serve one term when he took the job five years ago, has not yet officially declared his candidature. He has been the butt of frequent criticism in the US, and is detested by his own staff.

The procedure (or rather lack of one) for choosing a new secretary-general makes it virtually impossible for any other candidates to declare their hand while Boutros Ghali is in the running. There is no date by which nominations have to be submitted; no search committee; no shortlist; no provision for interviews; no requirement for candidates to state their views on any issue, whether administrative or political, or to submit references or even a curriculum vitae.

Nor is there any clear consensus on the nature of the job. The UN Charter describes the secretary-general as "the chief administrative officer of the Organisation", which sounds rather humdrum. But it also says he "may bring to the attention of the Security Council any matter which in his opinion may threaten the maintenance of international peace and security".

Even Boutros Ghali's admirers admit that he is an appalling manager. One reform which has been suggested, by the US among others, is the appointment of a deputy who would take over all management responsibilities, freeing the secretary-general to concentrate on the diplomatic and political tasks of conflict prevention and resolution. Boutros Ghali works hard at these, but his staff say much of the effort is wasted because he insists on conducting meetings tete-a-tete, and never tells anyone else what was said - a style of diplomacy he appar-

ently learned from his former bosses, Egyptian presidents Anwar Sadat and Hosni Mubarak. He travels incessantly, accompanied usually by his wife, with a spokesman, a bodyguard, and one middle-level official from his own office. But he is hardly ever accompanied by anyone from the political affairs department which has to handle crises and conflicts on a day-to-day basis.

Indeed, senior UN staff are not allowed to leave New York without his permission, which is rarely given. There is no question of them paying regular visits to areas of potential conflict which would enable them to win the confidence of local leaders and take pre-emptive action when trouble looms. Instead their trips are always emergency visits, occurring at moments of tension when they are often unwelcome to at least one of the parties.

This travel ban is justified by the UN's financial crisis. But staff remark bitterly that Boutros Ghali makes no attempt to set a personal

example. They say that he continues to entertain lavishly at top hotels and to fly on Concorde. Instead, says one UN official, "the cuts start at the level immediately below him", with the result that "the feeling in-house is extremely negative".

But he can hardly be blamed for the financial crisis which is the main reason for low morale. Behind this lies the failure of member states to pay their dues - above all the US, whose arrears of \$1.5bn (£996m) amount to 55 per cent of the total.

Joseph Connor, the former Price Waterhouse chief executive who runs the UN's finances, was encouraged two weeks ago when the Clinton administration won Congressional approval for nearly all the UN funding it originally asked for in the 1995-96 budget. But that budget deals only with amounts owing to the UN as of January 31 1995. Discussion of the US 1996-97 budget (in which Clinton has requested funding for the 1996 UN contribution, plus a programme to pay off the arrears

over five years) has not even begun.

The result is that more than half the UN's total expenses are being paid by EU members, while Japan has become de facto the largest single contributor. The UN is not allowed to borrow from external sources, so last week Mr Connor had to raid the peacekeeping budget to defray running expenses. This is possible not because peacekeeping runs at a profit, but because the UN itself is roughly \$1bn behind with its payments to troop contributors.

Thus the UK and France, for example, have paid more than their share of the UN's expenses but are still waiting to be reimbursed the cost of sending troops to Bosnia and elsewhere. But Germany and Japan, economic giants so far denied permanent membership of the Security Council, have begun to follow the bad example of the US. Their 1996 contributions are held up for "technical reasons".

The US Congress's behaviour infuriates other member states and embarrasses the US administration - especially as, in the words of one US official, the price of "a couple of B2 bombers would cover the whole thing". Yet by these methods the UN is imposing reforms which would never otherwise be agreed. Last year the UN General Assembly imposed a zero nominal growth ceiling on this year's budget, with no slack for inflation or foreign exchange costs. This means a cut in real terms, achieved partly by redundancy for 1,000 of the UN's 10,000 staff.

But this will not make the UN more efficient unless redundant activities are also pruned. The Committee on Missing Persons in Cyprus continues, although it has not found a single missing person in 22 years. (Cyprus has powerful friends in the US Congress, as well as a vote at the UN.) So does the Scientific Committee on the Effects of Atomic Radiation, set up supposedly as a one-year exercise

in 1955. This is not the fault of the secretariat, which is mandated to carry out these activities by the General Assembly. It is indirectly the fault of the US itself, which back in the 1980s insisted that the budget must always be adopted by consensus, thereby giving every member state a veto on deletions as well as additions.

Since the adoption of this year's UN budget, new mandates have been voted with strong US support: a UN political presence in Guatemala and human rights monitoring in Haiti. Boutros Ghali has said he cannot implement these without new money, but the US insists they must be funded within the agreed ceiling, and that out-of-date activities must be scrapped to make room for them. As a result the General Assembly may at last be forced to "prioritise" its mandates, sacrificing some of the hoarder ones.

It is no way to run a wheeling stall, let alone a world organisation. But the US stranglehold may be the only way the UN can be reformed at all.

Colin Keating, the New Zealand ambassador who chairs the General Assembly's high-level working group on strengthening the UN system says that everyone agrees on the need for reform. The only question is "whether it should be done incrementally or whether there are real advantages in some kind of big bang". He himself favours the big bang, on the basis of New Zealand's own experience.

There, the big bang was imposed by impending financial catastrophe. Mr Keating believes a similar dynamic may eventually affect the UN. At present, he says, "too many people don't really accept there's a crisis; they think it's just a question of hunkering down." But, given the US commitment to eliminating its fiscal deficit within seven years, he believes it is "cloud-cuckoo land" to believe the US will ever agree to pay promptly and in full the amount for which it is now assessed.



Boutros Ghali; not yet officially declared his candidature

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Labour cost competitive advantage

From Mr Norman Rose.

Sir, I was interested to read the article "Investment by German industry rises steeply" (April 30), endorsing the competitiveness of the UK's flexible labour market. However, it omitted to mention the crippling non-wage labour costs in Germany, including unlimited 100 per cent sick pay and huge welfare contributions. The differential in non-wage labour costs across the EU reveals why the UK is a hotbed for investment: employers find that in the UK they pay only an extra £18 for

every £100 of wages paid, compared with £32 in Germany and £41 in France.

Many European countries are fast realising that their non-wage labour costs are too high and that the UK is at a competitive advantage. As has been widely publicised, the German federal government is currently striving to tackle mounting unemployment by reducing social charges.

Members of the Business Services Association are in no doubt that any significant increase in non-wage labour costs would have a detrimental

effect both on employment levels in UK industry and on the country's international competitiveness. Similarly, unless the EU moves to reduce burdens on employers, bringing costs at least into line with current UK levels, its members will struggle to attract inward investment in a competitive global economy.

Norman Rose, director-general, Business Services Association, Commonwealth House, 1-19 New Oxford Street, London WC1A 1NU, UK

Manchester United club in question

From Mr Paul Wogan.

Sir, Your report on the sentence handed down to Mr Matthew Simmons ("Football fan attacks lawyer", May 3) is wrong on two points.

Mr Eric Cantona plays for Manchester United, not Leeds. The match in question was between Crystal Palace and Manchester United.

In your defence, I must admit that I don't buy the FT for its sports coverage.

Paul Wogan, chief executive, Seachem Tankers, "George V", 14 Avenue de Grande Bretagne, Monte Carlo MC 98000, Monaco

Right stance taken on BSE

From Mr Douglas Hogg MP.

Sir, Towards the end of your front page report "UK beef ban will be lifted in stages, says EU" (May 1) on the current BSE negotiations in Luxembourg, the contention was made that eight positive findings for mammalian protein in ruminant feed would increase doubts over the government's measures to curb BSE. In fact, the opposite is true.

The government moved swiftly to implement the Spongiform Encephalopathy Advisory Committee's advice to prohibit mammalian meat and bone meal from all farmed animal feed with effect from March 29. The need to do so was to remove any possibility of ruminant feed being contaminated by mammalian protein incorporated in feed for non-ruminants during the

production of feed or on farm. The eight samples in question were taken before March 29 when the new regulations came into force. Although eight positive results out of 834 feed samples indicates that cross-contamination in feed mills was taking place at very low levels, the fact it was taking place confirms that the government was right to implement the committee's advice in full and as rapidly as we did. Weekly inspections at feed mills and rendering plants, together with regular farm visits, will act as a further safeguard on compliance with this measure.

Douglas Hogg, minister of agriculture, fisheries and food, Whitehall Place, London SW1A 2HH, UK

More airline competition like this needed

From Mr Benedict Smith.

Sir, I was amazed to read in Michael Skapinker's article on European airline deregulation ("An airline faces the fax", May 4/5) that a reason given by Schiphol airport for why EasyJet should not start to fly the London-Amsterdam route was that this service was already well supplied, with

many flights at "competitive prices".

Is this a new development? EasyJet's advertised no-frills Amsterdam-London prices in the Netherlands undercut most of the other carriers by nearly half and these carriers' Amsterdam-London return flights cost twice as much as the same journey

the other way around. Let's have more - not less - of this type of real competition. Going without a drink for 45 minutes is a small sacrifice to make!

Benedict Smith, Herengracht 89, 1015BD Amsterdam, The Netherlands

Small shares, big steaks

Maggie Urry on the shake-up faced by Warren Buffett's empire, Berkshire Hathaway



Warren Buffett: his annual shareholders' meeting is like a family reunion

When Warren Buffett pitched the first ball at Saturday night's Omaha Royals baseball game, the festivities had officially begun. Once again "The Whip" - as the stadium announcer generously referred to the multi-billionaire, although his pitch failed to reach home plate - had attracted a crowd of faithful followers for a weekend of events culminating in Monday's annual meeting.

Hundreds of shareholders of Buffett's Berkshire Hathaway insurance and holding company shivered in the stands of the Rosenblatt Stadium, watching the Royals beat the Louisville Redbirds 2-0. Buffett has a personal 35 per cent stake in the Omaha team, which plays in a fine ball-park with views across the Missouri river to Iowa. He has seen to it that the hot dogs on offer are the best in the country.

On Sunday, the luckier ones joined Buffett for brunch at Omaha's Happy Hollow Country Club before heading to Borshelm's, Berkshire's jewellery store, and visiting Mrs Rose Blumkin, the 102-year-old founder of the Nebraska Furniture Mart, another Berkshire business.

Then, in the evening, it was on to Gorat's, a steakhouse run by one of Buffett's high-school classmates, where a special Buffett menu of rare T-bone steaks and hash brown potatoes had been laid on. Throughout the weekend, the tall, lanky sage, with the air of a professor and the voice of Jimmy Stewart, was signing autographs and having his picture taken with admiring shareholders.

Once a year, Buffett's home town of Omaha, Nebraska, a sprawling mid-west city of 335,000 people, turns into a Buffett theme park. But all that is about to change. Monday's meeting may be the last to be conducted like an annual family reunion, where babies in pushchairs are as welcome as 89-year-olds to wheelchairs. For the main item of business on the agenda was to approve an issue of new Class B shares, each representing one-thirtieth of the value of an A share. The A shares trade at a daunting \$35,000 each and demand for the new, lower-priced shares is very strong among individual investors, even though each B share carries only one two-hundredth of the voting power of an A share. About 350,000 of the new shares are already spoken for,

and by next year the 20,000-strong shareholder body is likely to have expanded enormously.

Although the meeting has grown from only 12 people 15 years ago to 5,400 this week - and an old-timer mutters that it has become "the greatest hog wrestle I've ever seen" - it is still a curiously intimate affair. This year, waiting shareholders, who began arriving at 6pm, were entertained by Warren's "home movies", including one of him accompanying his wife - a nightclub singer - on the ukulele.

Shareholder questions during the meeting frequently begin with a brief trading of greetings between the patriarch and the investor.

"Norton," says Buffett, spying a friend, Buffett asks the attendant to pass the friend the microphone. "Thank you, Warren, for including me out of order," begins Norton. "It's good to have you." Buffett replies, and turning to the rest of the audience explains, "Norton represents a family that came in nineteen-fifty or so," he remembers with a little help from Norton. "That joined up with the [Buffett] partnership and has been with us ever since." "A very fortunate connection," says Norton. "Both ways," Buffett responds, amid applause and laughter.

Buffett has long opposed splitting the stock to lower the share price. He is reluctant to attract investors who might view the shares as a way to a quick profit or a guaranteed method of turning \$100 into \$1,000. He often boasts in the

annual report that 98 per cent of the shareholders at the end of a year were holders at the beginning.

Further, he believes that his shareholders are of a higher quality than those of many other companies and that they think more deeply about their investment. The Berkshire meeting attracts a better standard of questions, he asserts.

As if to illustrate the point, towards the end of the five-hour meeting, one shareholder from the Virgin Islands, sporting a grey ponytail and grizzled beard and dressed in blue jeans, asks how Geico, an insurance company which Berkshire acquired early this year, might change its asset allocation policy under its new owners. "That's a very shrewd question," observes Charlie Munger, Buffett's partner. An investment banker involved in the Geico deal later remarks that the detailed question from the shareholder was better than any asked by insurance analysts on Wall Street.

Yet Buffett's renown as an investor has forced him into the B share move. Two investment groups had outbid the Securities and Exchange Commission, the federal regulator of the securities markets, of their intention to launch unit trusts to hold Berkshire stock which would allow smaller investors a chance to buy a slice of Buffett.

Buffett is confident his plan to issue "baby Berkshire" shares should defeat the unit trusts which, he fears, would have promoted his Berkshire name to less well-informed

investors, raising unrealistic expectations leading to disappointments, and charging them high fees in the process.

None of the shareholders argued against the plan, and the resolution was overwhelmingly approved. But behind their questions was an element of sadness that perhaps the family will lose its intimacy.

Another concern was raised: Buffett's personal safety. Although Buffett, who is 65, will never retire - he and Munger quip that they will still be on the platform when they are too decremented to remember who the other is - the annual question of what might happen if Buffett were hit by a truck had a new dimension this year.

One concerned investor says she has seen Buffett's picture in newspapers, and not just in financial magazines. "I don't like the idea that you're so visible. Do you understand what I'm saying?" "I understand exactly," Buffett agrees. "It's occurred to me."

There is one other problem generated by the B share issue - where to hold next year's meeting. Buffett admits he has not figured out a solution yet. The meeting is already held in a convention centre that is the largest such venue in Omaha, and even so hundreds of shareholders had to participate from two overflow rooms with closed-circuit television. "I know you won't leave you beloved Omaha," says one shareholder, "but maybe you could build a stadium, covered, with adequate parking?" Buffett may have to take up her suggestion.

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Wednesday May 8 1996

The risks of polarisation

Much ink has been spilled over the potential risks of economic globalisation, for rich and poor countries alike. Workers and companies in the developed world worry about having to compete in a single world marketplace; developing countries fear that it will be a byword for exploitation by multinationals.

The World Bank makes a valuable contribution to this debate in its latest annual survey of global economic prospects, by reminding us of the greatest danger of all. That is, that greater economic integration among certain countries, far from globalising the world economy, will leave it even more starkly polarised than before.

In aggregate, as the report notes, the developing world has received its fair share of the increase in international trade and financial flows of the past 10 years. Yet while some emerging markets are gaining entry to the rich country club, many others are "lagging in integration", or, more honestly, falling further and further behind.

Looking ahead, the Bank firmly expects the general trend towards greater economic integration to continue - indeed, accelerate. Yet it warns that, on unchanged policies, many developing countries

will continue to lose ground. How might such an outcome be prevented? First, as the report notes, the rich countries must act to reduce the external obstacles to exports from would-be trade liberalisers in the developing world. These are non-tariff barriers such as anti-dumping suits as well as more visible monstrosities such as the European Union's Common Agricultural Policy.

Yet the largest barrier to greater economic integration is always internal. Opening up to world markets brings burdens as well as opportunities, which many politicians are reluctant to take on. They have not only to persuade the public that the long-run benefits of openness outweigh the initial costs. They also have to pursue the sound macroeconomic policies necessary to ensure that those benefits are realised.

The urge to put off greater integration may be understandable, but it is becoming hard to forgive. The increasing polarisation in living standards between integrating and non-integrating developing countries says more than any external adviser ever could about the wisdom of joining the club. Whatever the price of membership, governments should be in no doubt that the costs of exclusion are higher still.

Spy follies

There is an awful sense of déjà vu about the latest spy spat between Russia and Britain. Just when one might have thought such thoroughly counter-productive exchanges would have been buried with the Berlin wall, the actions and rhetoric of the cold war are back to haunt us. Sadly it shows how little, at least in some cobwebbed corridors, things have changed. Spies are still spying, and security services are still stirring up suspicion.

The arrest of an alleged informer of the British Intelligence service in Moscow, and the threatened tit-for-tat expulsions of significant numbers of diplomats on both sides, comes only a very short time after the G7 summit in the Russian capital. Mr Boris Yeltsin and the G7 leaders agreed there on close intelligence co-operation to prevent the proliferation of nuclear arms and materials. That is a vital task. This row will hardly help to realise it.

In the tense pre-election atmosphere in Moscow, such incidents are perhaps inevitable. There is a suspicion there that the whole affair might be a deliberate effort to cultivate a tough nationalist image. That could be very helpful in Mr Yeltsin's battle for the presidency. One might almost argue that it would be in Britain's inter-

ests to allow the row to be stoked up to the maximum, if that would enhance Mr Yeltsin's chances against Mr Gennady Zyuganov, his Communist rival.

But such behaviour would be foolish. In all previous squabbles, both sides have ended up worse off. Genuine experts have been recruited and banished to other jobs, making the difficult task of mutual understanding even more complicated. The British government should not allow wounded pride to precipitate a blatant tit-for-tat and should limit its response.

The justification for such caution is not, however, to protect espionage as such. All information gathered by spying, especially when bought for cash, should be treated as highly suspect. That is why double agents flourish in that murky world. The spies end up spying on each other, and not on the real world. The risks of false information are particularly high in a country like Russia where potential sources are so ill-paid.

There will always be a need for intelligence, not least in areas where co-operation is essential: curbing organised crime and, certainly, nuclear smuggling. Beyond that, the spies should be kept firmly in their place: out in the cold, preferably unemployed.

Welfare policy

As a concentrated burst of platitudes, yesterday's speech on welfare policy by Mr Chris Smith, Labour's social security spokesman, takes some beating. "In the modern world," declared Mr Smith, "I want a welfare system that works, that delivers social justice, that provides real protection, that helps the climb back into work, that secures people's retirement, and I want government to guarantee that to every citizen."

The most temperate right-wing welfare coterie would be hard put to disagree. Everything depends upon how Labour intends to honour its "guarantee". Mr Smith had little to say about that, beyond offering new studies on the definition of poverty. He pledged that specific policies would be forthcoming, but sharp shadow cabinet disagreements about the few proposals as yet floated publicly - such as the withdrawal of child benefit from 16- to 18-year-olds in return for enhanced training opportunities - suggest it is not far advanced.

Mr Smith's speech was most notable for his emphasis on what would not change under Labour. In particular, he said he has no intention of pushing the £90bn social security bill up higher, an idea he associated with the "old statist left". His emphasis was on policies easing the passage from welfare into work, and advancing the role of government as "regulator" rather than the invariable provider of social security. But until some concrete policies are forthcoming, it is impossible to judge whether this means a lot or nothing at all. If it means shifting the costs onto business, it could be disastrous.

More concrete was yesterday's government consultation paper on long-term care for the elderly. It sets out tentatively several

proposals to encourage people to protect their homes and savings, while financing residential care in old age. These include restructured occupational pensions, and "partnership" schemes under which individuals would take out insurance to cover care costs in return for a substantially increased disregard of capital wealth by the state in the event that the costs exceed the insurance pay-out.

These various proposals are to be welcomed as a first step on the road to encouraging greater personal provision for the hazards of old age. The viability of the occupational pension proposal - under which individuals could opt, on retirement, to defer part of their pension until a later date - is questionable, but it is worth discussion. Much will depend upon the associated regulatory structure, particularly the terms upon which funds can accept or refuse requests for deferral.

The suggested "partnership" insurance scheme is more straightforward. There appears - rightly - to be no question of tax relief being offered on the premiums, which are essentially a form of asset protection. The cost to the taxpayer is unlikely to be great, since on yesterday's plan the assets disregard extends only to £150 for every £1 of insurance benefit paid out - or somewhat more under an option requiring self-provision for four years, which is longer than today's average stay in residential care.

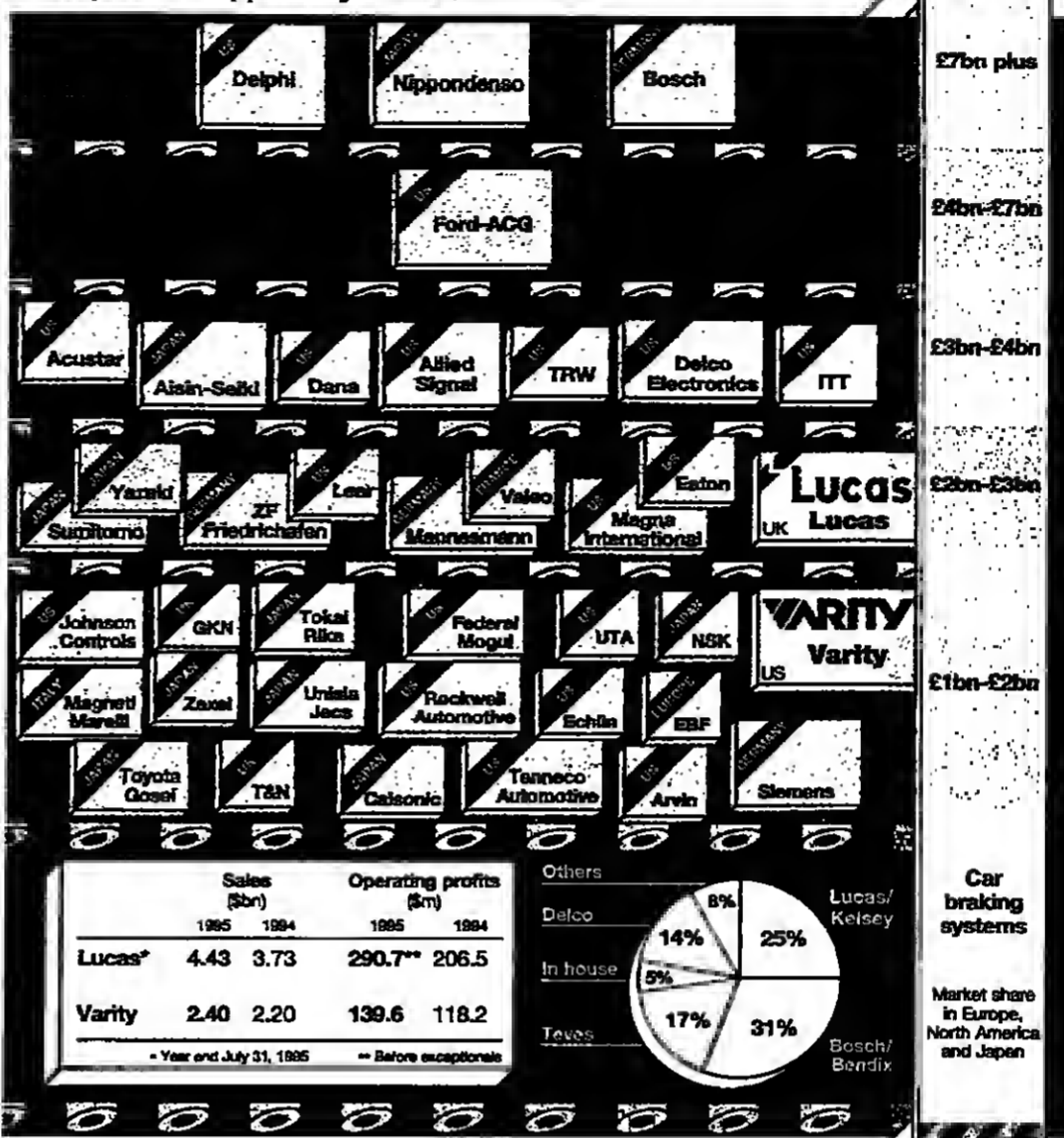
The issue is whether such inducements will do much to stimulate the insurance market. The chances of an individual requiring residential care are around one in five, so premiums will be steep. Still larger incentives could hardly be justified, unless the government is seeking to protect the assets of the affluent at the expense of the wider community.

Component for success

The proposed merger of Lucas and Varity aims to create a global vehicle parts manufacturer, says Tim Burt

Lucas and Varity: a sum of their parts

Components suppliers by revenue



Sources: Lucas Industries, HSBC James Capel



Victor Rice of Varity: motoring in overdrive

A firm grasp of fine detail

Mr Victor Rice, the British-born chairman and chief executive of Varity Corporation, is no stranger to spectacular corporate challenges.

He is the man who at the age of 39 took control of the ailing Massey-Ferguson, the Canadian tractor company, and dragged it back from the brink of bankruptcy in the early 1960s. He then sold the core tractor business, changed the company's name from Massey to Varity and moved its headquarters from Canada to Buffalo in the US. He expanded Varity's motor parts business by a combination of acquisition and aggressive cost-cutting.

Still only 55, Mr Rice impresses colleagues with his energy, ambition and attention to detail. Once when asked whether it was true that he slept only four hours a night, he replied no, the correct figure was four hours 23 minutes.

The chairman of a British motor parts company calls Mr Rice "a tough egg", saying: "His style at Varity is tough, cheap and cheerful. It might be difficult to integrate that with the more urbane culture at Lucas."

The son of a Hertfordshire chimney-sweep, he left school at 16 and joined Ford Motor as a cost clerk. After a succession of posts in financial management in the UK, he was appointed in 1970 as controller of the north European operations of Massey's Perkins Engines subsidiary. In 1975, he moved to Toronto as Massey's worldwide financial controller. The shareholders decided he was perhaps their last chance and he was promoted above older executives to take charge of the company.

Despite the pressure of keeping the bankers at bay, he retained a grim sense of humour. He once told of the day he sat in a baseball stadium filled with 32,000 people. "I suddenly had this horrifying thought: that everyone there was an ex-employee of Varity. We had just fired over 52,000th person."

His experience of near-bankruptcy confirmed his faith in the importance of short-term financial performance. But he also insists he is "a long-term strategist". And he believes that the need for car makers to fit ever more sophisticated parts to their vehicles means there is a long-term future in car components.

Stefan Wagstyl
Tim Burt

OBSERVER

Psst! Spy for sale, cheap

What better background music to a post-cold war spy drama than the nostalgic wailings of the last authentic KGB chieftain? Just as one of the sorry remnants of the KGB, now dubbed FSB or Federal Security Service, boasted it had nabbed a Russian servant to Her Majesty's Secret Service, Vladimir Kryuchkov published his memoirs on the grandest years of Soviet espionage.

Kryuchkov proudly claims the KGB employed nearly 1m "agents of influence" in Afghanistan alone, and lists the late Josip Broz - better known as Marshal Tito - and other founders of European communist parties as being among his former colleagues.

Nine British embassy employees may be sent packing this week for alleged espionage, almost as many as in a famous tit-for-tat expulsion in 1989. But if anyone should ever have been expelled, it probably was Kryuchkov, when he was attached to his country's embassy in Hungary in 1966, during the Soviet invasion. Instead, Kryuchkov moved on to become head of foreign intelligence in 1974, and spy master in 1988.

He bungled the August 1991 coup against Gorbachev, even forgetting to bother controlling the airwaves. Never mind - many of his old mates are now making a decent

living advising capitalists on how to prevent office burglaries.

Count us out

The good news is that the US has fewer illiterate and uneducated job applicants today than in 1994, when the figure was 38.5 per cent. The bad news is that the 1995 rate is still one in three. "This weird news is that American job applicants were doing rather better until quite recently; in 1990 only 26.3 per cent of job applicants failed the basic skills tests of the annual survey conducted by the American Management Association.

The association mailed questionnaires to human resource managers at all of its 9,500 US member companies in January 1996, asking for 1995 testing data. About 10 per cent of companies responded. And the others? They're still trying to figure out what this piece of paper says...

Excuses, excuses

Warren Buffett, chairman of Berkshire Hathaway, had impressive results to report at the annual meeting. The board had lost 100lbs over the last 12 months, with him and his partner Charlie Munger losing 20lbs each - and that despite their continued role as chief tasters for the company's See's Candies subsidiary.

Buffett certainly looked fit, warming up to throw out the first ball at the baseball match on Saturday night. He had arranged with the catcher that, on receiving the ball, he would remove his glove and shake his fingers to show what a fast ball it had been. But when it came to the ceremonial pitch the ball hit the ground short of the plate and rolled along the ground to the catcher. "It was a premature strike," Buffett said at the annual meeting on Monday, "and very hard to hit, I might add." Not losing his touch, is he?

Algy soldiers on

At the age of 58, the socialist former guardsmen Algy Cliff remains as besotted as ever with Africa and its gold potential. The flamboyant entrepreneur who still chairs The Spectator and who once raised money for the Conservative Party, has been doing a bit of fundraising to support his love. But he is being jolly discreet as to the identity of those who are providing the bulk of the cash enabling him to go gold mining again - just four months after Ashanti Goldfields of Ghana bought Cliff Resources, for a consideration of £80m.

No prizes for guessing that the financial backers for the not very originally titled Cliff Mining are not the banks. "Banks don't understand either mining or Africa so I needed shareholders who do"

he grunts, indeed, Cliff and the banks were not best of friends over Cliff Resources's 25-year life - "my big mistake was not buying assets to generate cash flow in the early days," he recalls. "I was constantly having to raise more money from shareholders to drill wells that turned out to be dry." When he switched to gold mining in Africa, everybody said he was crazy, not just the banks.

Instead, the funds have been forthcoming from "substantial mining houses and we have ample funds," says Cliff. "There are very many mining companies competing for projects" on the Continent.

The organisation, of course, that best understands Africa and mining is Anglo American Corporation of South Africa. Indeed it would be quite surprising if either Anglo, or its controlling Oppenheimer family, were not involved with Cliff in some way.

Red-handed

Red faces in Moldova yesterday, where it emerged that the country's justice minister had been caught driving a stolen car. The police impounded an Audi being driven by Vasile Sturza, while on a private visit to Austria. Sturza said he was temporarily borrowing the car from a friend - who appeared to have borrowed the Audi on a more permanent basis from its original German owner. The car was reported missing in 1994.

Financial Times

100 years ago

Pennsylvania Railroad jubilee in Philadelphia they have been celebrating with great enthusiasm the jubilee of the Pennsylvania Railroad. An indication of the spirit in which the occasion was honoured, we may quote the following from the "Philadelphia Times": "In its half century of progress the railroad has grown until to-day the gross revenues of the Pennsylvania Railroad Company are more than three times the entire revenues of the United States Government when the company was first incorporated, and it employs more than three times the number of men engaged in the entire Government service fifty years ago."

50 years ago

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Lloyd's hit as US Names secure ruling over losses

By Ralph Atkins in London

Lloyd's of London was thrown into fresh difficulties last night after the Securities and Exchange Commission, the US securities regulator, appeared to give a significant boost to US Names seeking legal redress for their losses.

The SEC intervention comes at an awkward time for Lloyd's, which needs approval in coming months for a recovery plan that includes a \$3bn-plus (\$4.5bn) out-of-court award to end litigation.

However, any threat to the recovery plan caused by the SEC was offset by two important legal victories by Lloyd's yesterday.

In the UK, the High Court rejected loss-making Names' claims that Lloyd's had breached European Union competition law by operating a "central fund" which pays policyholders' claims when Names are unwilling or unable to pay debts.

If the validity of the central fund had been threatened on the grounds that it amounted to a cartel agreement, Lloyd's ability

to collect debt would have been severely hampered and the market's future thrown into doubt.

Last night, the insurance market said the judgment "enhances considerably the ability of Lloyd's and its agents to collect outstanding debts owed by members".

In a second victory, legal action brought by the California Department of Corporations, alleging that investment in Lloyd's was "mis-sold", was dismissed by a US district court.

The case had been a particular headache for Lloyd's because the state securities regulator had sought to freeze funds held in trust to support Lloyd's US underwriting. The department could re-file, however.

The SEC involvement is in a legal action brought by 600 US Names, alleging that Lloyd's breached US securities law, which is being heard in a federal court in California. In the past, Lloyd's has successfully argued that such cases should be heard in UK courts.

However, in a surprise move the powerful SEC has filed a motion arguing that "anti-waiver" provisions in US securities laws should prevent the enforcement of such clauses specifying where disputes are heard.

Mr John Avery, a SEC spokesman, said it was clear UK courts would not judge alleged breaches of US securities law and "if the English courts won't hear them, then the American courts should hear them".

Last night Lloyd's said the case was likely to take many months before it was heard - by when the recovery plan should be implemented.

But many loss-making Names believe they have a better chance of proving fraud - and obtaining compensation - in US courts.

That could increase Lloyd's difficulties in collecting debts from US Names, create uncertainty about possible compensation hills, and dissuade US Names from supporting the recovery plan.

British opposition pushes for sterling to join Emu

By Robert Peston in London

Britain's opposition Labour party yesterday took a significant step towards backing sterling's membership of a single currency in 1999, in a robustly pro-European speech by its finance spokesman.

Mr Gordon Brown, the shadow chancellor of the exchequer, who was speaking in Bonn, lowered the hurdles for a Labour cabinet to support monetary union involving the pound by fleshing out the criteria on which such a decision would be made.

He also argued enthusiastically for the "substantial benefits" of a single currency, in terms of "stability, lower interest rates and reduced currency speculation".

There were no arguments of principle against joining, but a series of "practical problems" that needed to be solved.

Labour has consistently said it would only endorse monetary union if there was convergence between the "real economies" of participating states, in addition to the financial convergence outlined in the Maastricht treaty.

Mr Brown yesterday said "real convergence does not... mean we have to have exactly the same levels of output or productivity".

Instead, Labour would make a judgment that "their trend" would not "diverge to diverge faster than other means of adjustment in unit costs can cope". As chancellor, he would take a view about whether monetary union would have the effect of "locking in uncompetitiveness or unemployment".

Mr Brown is understood to believe that this does not represent an insuperable obstacle to joining at the earliest opportunity in 1999.

His enthusiasm for monetary union may cause a rift with some shadow cabinet and backbench colleagues, in the wake of his recent announcement that a Labour government would be likely to abolish the payment of child benefit to parents of 16 to 18-year-olds.

The Conservative government, which has shifted in a Eurosceptic direction, will also attempt to exploit Mr Brown's advocacy of "the huge benefits that Europe has already brought" and the need for "greater co-operation" within the European Union.

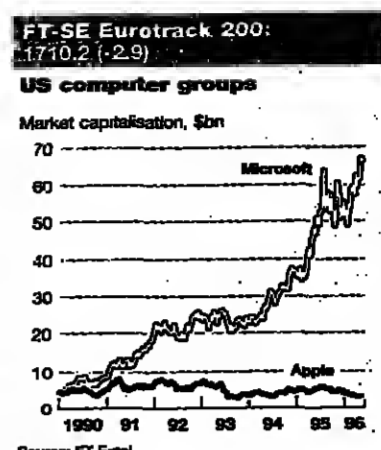
Mr Brown acknowledged the widespread disillusion with the European institutions, but he believed it was possible to "secure greater and more effective integration in all our interests while at the same time making Europe less centralist and bureaucratic".

Mr Brown attempted to root much of Labour's domestic agenda in an EU context. Europe, he said, should "take the lead in tackling the problem of persistent unemployment". But he strongly attacked the Common Agricultural Policy.

THE LEX COLUMN

Re-engineering Varsity

The most surprising thing about the proposed merger between Lucas and Varsity is that it was not discussed earlier. Both companies have been singing from the same song sheet, the refrain being that big is beautiful in the auto components industry. The requirement that component suppliers match car companies' global ambitions and have the capability to develop technologically advanced products provides a compelling argument for this deal. And Lucas and Varsity offer a complementary fit. There are no obvious monopoly concerns, given their different geographic strengths, and substantial combined research and development expenditure offers considerable scope for rationalisation.



Consummating the merger could be another matter. Lucas' shares rose 12 per cent, on the assumption that this represents a green light for bidders. Varsity shareholders may object to a merger based on current prices, given Lucas' much higher market rating.

Nonetheless, they should not protest too much. Lucas' chief executive is about to depart and Varsity's boss, Mr Victor Rice, would make an obvious successor, given Varsity's greater manufacturing efficiency, that could be profitable for both sets of shareholders. Besides, there would be a high cost to pursuing Varsity's global ambitions independently. As for Lucas, shareholders should not attach too much hope to rumours of a hostile bid. It is hard to imagine who would be prepared to pay a premium over the current price; if this deal collapses, there must be a decent chance that a patient predator could pick up a strategically bereft Lucas on the cheap.

Apple's market share. When Apple's technical edge was eroded with last year's launch of Windows 95, it had to cut prices, plunging it into losses.

Apple's decision not to license the Macintosh system goes down as perhaps the most expensive business error in history. If it had, its market capitalisation might be \$67bn and Microsoft's \$3bn - rather than the reverse. Unfortunately, adopting an open licensing policy now will not put things to rights. The deal with IBM is hardly a ringing endorsement; the computer giant is only planning to sublicense Apple's system to others rather than make Macintosh clones itself, and the companies so far revealed - Taiwan's Tatung and Datacube Enterprises of the US - are not exactly top-tier. Very likely, the industry's big guns know the game is up.

on the planned sale of Granges, its aluminium business. But management is still having difficulty hacking up margins, which are poor by industry standards. At least its expansion into emerging markets appears to be paying off, without its Brazilian business margins would look even worse. Given the competitive strains in Europe and the US, management is right to pursue expansion into less mature markets.

At around 10 times this year's forecast earnings, Electrolux shares may look cheap, but this represents a relatively small discount to the Swedish market. The stock would undoubtedly benefit from a pick-up in European consumer spending, but there are too many negative factors conspiring against the company to make it an attractive cyclical play.

Midlands/GPU/Cinergy

So much for the British government's attempt to keep foreign bidders out of the power industry. Since Midlands Electricity has no golden share, yesterday's joint bid from General Public Utilities and Cinergy of the US, will almost certainly be allowed - and rightly so. But it will make protecting the generators look even stiffer.

Not that Midlands appears to have put up much of a fight. The board could easily have raised the stakes with a juicy defence package. Instead it has agreed a price which, as a multiple of this year's earnings and cash flow, looks below the average for bids in the sector - let alone the latter recent deals. There are two possible interpretations. Maybe Midlands' management was a little too keen to accept a bid which kept their jobs intact. Alternatively, the prices US bidders are willing to pay are coming down.

Either way, yesterday's rise in regional electricity companies' share prices looks perverse; if yesterday's bid is anything to go by, there is little upside left in these frothy prices, even if bids do emerge.

As for the bidders, despite Midlands' readiness to do a deal, they have still not escaped with a bargain. For a start, they have paid a hefty premium for control, yet neither has it Midlands is to be run through a messy 50:50 joint venture. And they are paying 20 per cent more than PowerGen was offering late last year - despite the fact that PowerGen's bid, unlike yesterday's, would actually have added some value. Cinergy may be the name of one of the bidders, but you would have to search hard to find any.

Crackdown urged on global trade in illegal CFC gases

By Leyla Bouffon in London

Western governments were urged yesterday to mount a co-ordinated crackdown on smuggling of chlorofluorocarbon (CFC) gases, which is undermining an international treaty to repair the ozone layer.

A report by the London-based Royal Institute of International Affairs said Russia was the main source of exports to the developed world of CFCs, which destroy the ozone layer and are banned under the Montreal Protocol of 1987.

It suggests that a black market in the substances - which are cheaply used for commercial refrigeration and air conditioning in cars than approved substitutes - is greatest in the US. The market is estimated at 9,000-18,000 tonnes a year. By the end of last year, US authorities had convicted 13 people for smuggling

what is believed to be the most profitable contraband to pass through Miami after cocaine.

Usually, the CFCs are smuggled in falsely labelled shipments of chemicals.

The report also says illegal CFCs are a problem in Taiwan, which plans to draw up legislation to combat imports from China, and Europe, which is a stopping-off point for CFCs from Russia. Mr John Gummer, the UK environment secretary, said Russia was "playing a big part" in the appearance of illegal CFC imports in Europe. He said he would raise the issue at the next meeting of EU environment ministers next month.

Mr Duncan Brack, a senior research fellow at the institute and the report's author, urged the EU to follow the US lead of a co-ordinated effort between the Environmental Protection Agency, customs and other

law enforcement bodies.

Mr Brack said the illegal trade could delay by a generation targets for the worldwide phasing out of CFCs. The ozone layer protects the planet from ultra-violet radiation which can cause skin cancer, eye cataracts and other illnesses.

The production and export of CFCs has been banned in the industrialised world since January, while developing countries face deadlines stretching into the first half of the next century. CFCs and temporary replacements for them are due to be phased out completely by 2005.

Russia is pleading for more time and help to meet the developed world's obligations to end the production of CFCs. But agreement on financial aid is being held up by Russia's failure to provide statistics on CFC production and exports demanded by the World Bank.

Indian poll

Continued from Page 1

exit poll yesterday, Mr Rao, the prime minister, would come under considerable pressure to quit, both from other potential coalition partners and a number of disaffected ex-Congress factions which split from the party during the campaign.

The result suggested by the poll would leave the race for India's prime ministership wide open. Official counting begins today and the main voting trends will become clear tonight as early results emerge. A final tally of seats is not expected until Friday or Saturday.

China warns over tariffs

Continued from Page 1

heads over arms proliferation, human rights and the bilateral trade imbalance. The US says it reached \$34bn last year in China's favour, but Beijing claims that figure is inflated by including exports from Hong Kong.

Meanwhile, the US is grappling with a difficult decision on renewal for another year of China's most favoured nation trading status. Congressional opponents of renewal argue China should be penalised for what was regarded as its recent bullying of Taiwan and the market access and piracy issues.

● Sir Leon Brittan, the European Trade Commissioner, said yesterday he favoured the "fastest possible negotiations" on Chinese entry to the World Trade Organisation. But the WTO was a "rules-based organisation and we can't engineer China membership on false terms".

China responded sharply, saying it had met criteria for membership and was being kept out by exorbitant demands and political interference. "There are only two obstacles on the road to entry," a spokesman said. "One is some countries have put forward some exorbitant demands... and another is political disruption."

FT WEATHER GUIDE

Europe today
 High pressure will promote dry and rather sunny conditions over the British Isles and southern Scandinavia. Moderate to strong north-easterlies will cross a wide zone stretching from Poland via the Benelux countries towards Brittany. Thick cloud and rain will spread slowly northwards. Unstable and humid air will cover France, the Alps and the Iberian peninsula where scattered thunder showers will develop during the afternoon. Showers will spread across northern Italy later in the day but the south will stay mainly dry. Summery air will still cover large areas from northern Russia across the Balkans and the Black Sea towards the eastern Mediterranean. Sunny and warm conditions will prevail in most of these regions but thunder showers will develop along the western boundary of the warm air.

Five-day forecast
 Eastern and south-eastern Europe will stay warm, dry and sunny. Low pressure will trigger thunder showers in Greece and western Turkey on Sunday. It will be rather unsettled with showers in the area from Portugal to Italy. High pressure over Scandinavia will draw some of the warm air towards western Europe.

TODAY'S TEMPERATURES

Madrid	21	Caracas	29	Faro	20	Madrid	19	Rangoon	32
Abu Dhabi	30	Cairo	28	Frankfurt	15	Malaga	21	Raykjavik	9
Accra	30	Geneva	18	Glasgow	12	Manchester	13	Rio	25
Algiers	21	Hamburg	17	Helsinki	12	Maracaibo	24	Rome	23
Amsterdam	13	London	13	Hong Kong	26	Mexico City	24	S. Francisco	18
Athens	26	Lyon	13	Jakarta	29	Monterrey	15	Seoul	19
Atlanta	31	Madrid	21	Jakarta	29	Paris	15	Singapore	32
B. Aires	21	Manila	28	Jakarta	29	Stockholm	14	Stockholm	14
Buenos Aires	14	Moscow	12	Jakarta	29	Strasbourg	21	Sydney	19
Bangkok	28	Nairobi	24	Jakarta	29	Taipei	21	Taipei	21
Berlin	19	Osaka	27	Jakarta	29	Tokyo	21	Tokyo	21
Barcelona	18	Perth	21	Jakarta	29	Toronto	15	Toronto	15
		Prague	20	Jakarta	29	Vancouver	14	Vancouver	14
		Reykjavik	9	Jakarta	29	Warsaw	19	Warsaw	19
		Rio	25	Jakarta	29	Wellington	15	Wellington	15
		Rome	23	Jakarta	29	Winnipeg	14	Winnipeg	14
		S. Francisco	18	Jakarta	29	Zurich	20	Zurich	20
		Seoul	19	Jakarta	29				
		Singapore	32	Jakarta	29				
		Stockholm	14	Jakarta	29				
		Strasbourg	21	Jakarta	29				
		Sydney	19	Jakarta	29				
		Taipei	21	Jakarta	29				
		Tokyo	21	Jakarta	29				
		Toronto	15	Jakarta	29				
		Vancouver	14	Jakarta	29				
		Warsaw	19	Jakarta	29				
		Wellington	15	Jakarta	29				
		Winnipeg	14	Jakarta	29				
		Zurich	20	Jakarta	29				

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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COMPANIES AND FINANCE: EUROPE

Roche upbeat on new treatment for Aids

By Daniel Green
The Aids treatment Invirase should become one of the "top drugs" from a series of product launches planned by Roche, the Swiss drugs company, according to Mr Fritz Gerber, chairman.
The company released new data yesterday which showed that when used with the company's older Aids drug Zidovudine, Invirase reduced the rate of Aids deaths "by more than two-thirds" compared with Zidovudine on its own. This was

among results from a North American clinical trial which tracked the health of 978 patients for an average 73 weeks.
Roche said the data from the clinical trial also showed a reduction in the occurrence of Aids-defining symptoms by "more than half" compared with Zidovudine alone. The results are despite the fact that Invirase is supposed to be the weakest of the three protease inhibitors on the market. The others are Merck's Indinavir and Abbott's Ritonavir.

However, the Invirase trial was one of the largest and longest yet. Protease inhibitors attack the disease in its more advanced stages by interfering with an enzyme crucial to the survival of the virus.
Mr Franz Humer, director of the company's pharmaceuticals division, said he expected Invirase to achieve SFr200m-SFr500m (\$160.9m-402.3m) in annual sales within five years.
Mr Humer said the future of Aids treatment was through combinations of drugs. He expected sales of all of Roche's

HIV treatments to reach nearly SFr1bn within five years.
Roche expects regulatory approvals in Canada and Europe for Invirase this year. The drug has already received approval from the US Food and Drug Administration for use in combination therapy for advanced HIV infection.
Invirase has already been approved in Switzerland. An application has been submitted for approval in the European Union which could be granted in the second half of 1996.
Invirase is one of several

drugs that the company intends to launch this year. It is seeking regulatory approval for Tazmar, a Parkinson's disease treatment, initially in Europe and the US, then in Japan.
In addition to new product launches, Roche said it planned to file for regulatory approval of new indications for existing products, "notably Rofecon-A and CellCept".
The company's annual report also said that trading in the first part of 1996 had gone well.

Generali pleases market with bonus issue

By Andrew Hill
Assicurazioni Generali, Italy's largest insurer, pleased shareholders yesterday by proposing a 4 per cent rise in dividends, and a scrip issue.
Generali also announced an increase in attributable consolidated profit for 1995 to L695bn (\$446m) after tax, against L641bn the previous year. The profit was lower than analysts had expected, but they welcomed the dividend rise and the scrip issue as a sign that Generali was confident about prospects.
The group, which said first-quarter trading had continued the positive trend of the previous year, is to give shareholders one new share for every 10 already held. The board proposed raising the dividend to L375 per ordinary share, against L360 in 1994.

Alitalia may shed 2,000 jobs in latest restructure

By Andrew Hill in Milan
Unions and staff at Alitalia, the troubled Italian airline, are bracing themselves for the latest restructuring which could lead to as many as 2,000 job losses, according to a leaked outline plan.
Under the plan, reported in Il Sole 24 Ore, the Italian business daily, management may seek job cuts from among the 12,000 ground staff, and more hours for the same wages from pilots and cabin crew. The company would also seek a phased capital injection of L3,000bn (\$1.9bn) from IRI, the state holding company which is Alitalia's majority shareholder, and private investors.
Mr Domenico Cempella, who took over as chief executive of Alitalia in February, said yesterday it was "still early days" for a new plan and described the figures in yesterday's Il Sole report as "only inference".
However, Mr Cempella must shortly find a way to curb losses, running at L280bn in the first quarter of 1996, and reduce debt of more than L3,400bn without upsetting the airline's volatile unions.

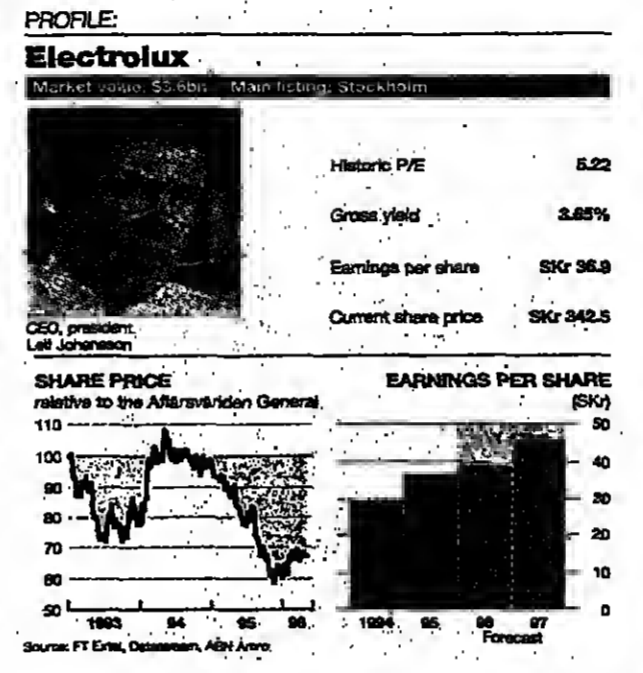
The problem defeated his predecessor as chief executive, Mr Roberto Schisano, who was ousted by IRI after more than a year of disruptive union protest at his restructuring plans.
Mr Renato Roverso, appointed chairman alongside Mr Schisano in 1994, also resigned in March, complaining bitterly about being isolated by IRI in his attempts to handle the union problem.
Mr Cempella has yet to talk to the unions about the details of his plan. One problem will be persuading the pilots, who caused the most disruption last year, to work longer hours for the same salary. They were led to expect an increase in salary last year, following a secret agreement with Mr Schisano which was then shelved.
Any restructuring of Alitalia will have to be sufficiently radical to convince both IRI, which is itself heavily indebted, and the European Commission, that a capital injection is justified. Brussels imposed a series of conditions on the Spanish government before approving the recent grants for Iberia.
According to the leaked outline of the plan, cost reductions of 10 per cent could be accompanied by reorganisation of the company into different sectors, in which employees would be remunerated according to performance.
Last month Alitalia reported a 1995 group net loss of L85.9bn.

Electrolux down 22% in opening quarter

By Hugh Carnegie
in Stockholm
Electrolux, the world's biggest manufacturer of household appliances, yesterday disappointed markets with a 22 per cent fall in first-quarter profits as demand for white goods in Europe fell for the fourth quarter running.
News that pre-tax profits had fallen from SKr1.023bn in the first quarter last year to SKr797m (\$117m) was worse than most analysts had been expecting. Net income per share was down 14 per cent from SKr7.90 to SKr6.90. The company's B shares slipped SKr5.00 in Stockholm to close at SKr342.50.
The result was adversely affected by the much stronger value this year of both the Swedish krona and the Italian lira, which hit the big exporting operations Electrolux has in both countries. But slack demand also took its toll.

Group sales rose nominally from SKr26.9bn to SKr27.6bn, but were down more than 2 per cent after excluding acquisition and exchange rate effects. Group operating profits were 21 per cent lower at SKr1.16bn against SKr1.48bn last time. All four divisions - household and commercial appliances and outdoor and industrial products - reported lower sales and operating income.
Household appliance sales, the highest unit, fell from SKr18.9bn to SKr18bn, leaving operating profits at SKr689m compared with SKr716m, despite higher prices achieved for some products.
"This is the fourth quarter in a row with lower demand for white goods in Europe," said Mr Lef Johansson, chief executive. "But the recent lowering of interest rates in many countries should hopefully lead to stability." He added that he expected a positive effect from lower raw material prices later

this year - reversing a recent trend of price increases.
The market outlook was less gloomy in the US, where Electrolux said there was some growth in volume. But Mr Johansson said profits at Fridgdaire, the troubled US white goods subsidiary, remained weak. He gave no details.
He acknowledged Electrolux had considered pulling out of the US white goods market but had decided to remain committed to Fridgdaire, acquired in the 1980s, which was working at achieving higher margins through premium products.
Electrolux was also hit by the weather in its outdoor products division, the second largest unit. The late spring in both Europe and North America meant sales of garden equipment were sluggish.
Outdoor product sales fell from SKr4.6bn to SKr4.1bn, and operating profits slid from SKr460m to SKr379m.



Trygg-Hansa in SKr1.5bn hostile bid for Wasa

By Hugh Carnegie
Restructuring moves within Sweden's financial services industry took an unexpected turn yesterday when Trygg-Hansa, the country's second-largest insurance group, launched a hostile bid for Wasa, a smaller rival, involving a SKr1.5bn (\$219m) offer to buy in Wasa's non-life policy holders.
Trygg, which has only recently recovered from a series of disastrous acqui-

sitions that led to heavy losses, made the move after Wasa rebuffed overtures for an agreed merger.
It proposed a straight purchase of Wasa Sak, a non-life business, and a merger with Wasa Liv, a life assurance operation, which are presently structured as parallel mutual companies.
The bid came two days before Wasa's policyholders were due to meet to decide on a restructuring plan, under which Wasa Liv has offered

SKr1.04bn to Wasa Sak's 400,000 policy holders to combine the two organisations and achieve a cost-saving rationalisation of their operations.
Mr Lars Rosen, Wasa's overall chief executive, rejected the Trygg bid, saying it was an attempt "by our worst rival to upset our decision-making" and questioning the true value of the higher Trygg offer for Wasa Sak.
Trygg said it could justify the offer because it could achieve much greater savings

by combining its own non-life operations with Wasa Sak than could be achieved by combining Wasa Sak with Wasa Liv.
Together the two groups would have more than 30 per cent of the Swedish insurance market, behind market leader Scandia.
The bid for Wasa is in line with Trygg's recent refocusing on its core domestic market after running up losses in the 1990s of SKr11bn through a doomed foray into the US

through Home Holdings - since banded off to Zurich Insurance - and forays into banking and credit insurance.
Trygg, which yesterday reported first-quarter operating profits up from SKr399m to SKr741m, has a 20 per cent market share in Sweden.
But Mr Thunell is anxious to increase its muscle to meet the challenge of deregulation which has seen increasing blurring of the lines between the banks and the insurance companies.

SBC starts year with rise in interest income

Swiss Bank Corporation said net interest income in the three months to March was "slightly higher" than a year earlier. APX News reports from Basle. Net commission income was also higher than a year earlier, with brokerage contributing strongly to the increase. Trading income saw a strong increase on higher turnover on international financial markets, with most of the gains from equity trading.
Substantial gains were also seen in foreign exchange trading. Provisions were little changed from the 1995 average.

SBC said first-quarter asset management and investment business income was substantially higher than the 1995 average, with loan commissions posting a slight increase.
"The successful integration of S.G. Warburg resulted in excellent growth in fee income from mergers and acquisitions," it said. Most of the trading income growth was attributed to equities but substantial gains were also seen in foreign exchange. SBC saw a good environment in 1996 for higher earnings at SBC Warburg.

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INDUSTRIVÄRDEN

Quarterly Report, January 1-March 31, 1996

- Consolidated earnings after financial items totaled SEK 149 M (first quarter 1995: SEK 105 M, including SEK 74 M from PLM). Gains on sales of listed stocks accounted for SEK 112 M (0) of this total.
- The value of the portfolio of listed stocks on May 3, 1996, was SEK 15,216 M. Adjusted for purchases and sales, the value of the portfolio rose by 11 percent since the beginning of the year. The General Index rose by 12 percent during the same period.
- Net worth at May 3, 1996, has been calculated at SEK 360 per share and CPN.

Market Value and Hidden Reserves in the Portfolio of Listed Stocks

Net Worth Per Share and CPN

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COMPANIES AND FINANCE: EUROPE

SAS bolstered by currency gains

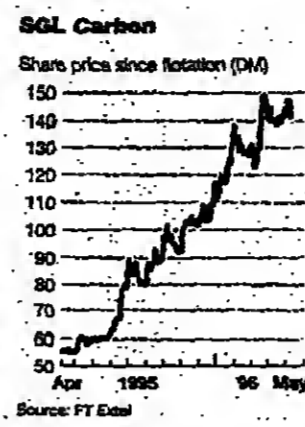
By Hugh Carnegie in Stockholm

Scandinavian Airlines System, which is jointly owned by Danish, Norwegian and Swedish interests, followed a record year in 1995 by almost tripling first-quarter pre-tax profits from SKr78m to SKr245m (\$38.8m).

By Wolfgang Münchau in Frankfurt

Hoechst, the German chemicals and pharmaceuticals group, is to sell its majority stake in SGL Carbon, the world's largest carbon and graphite producer, for an estimated DM1.6bn (\$983m) in a public offering.

SGL Carbon came to the market in an initial public offering in April last year, followed by a second tranche last September. Hoechst said the third and final sale would take place this month and in June by means of bookbuilding.



its shares were included in Germany's Dax-100 index, which the company believes will increase their appeal to international investors.

NEWS DIGEST

Pernod upbeat as sales edge ahead

Pernod Ricard, the French drinks group, said it expected pre-tax profits from ordinary operations to rise by about twice the rate of inflation in 1996. It proposed an unchanged dividend of FF18 for 1995 and said sales rose 3.2 per cent to FF13.605bn (\$698m) in the first quarter of 1996 from a year earlier.

Fresenius posts 33% advance

Fresenius, the German drugs group, said net profits rose 33 per cent from DM15m to DM20m (\$1.3m) in the first quarter. Group sales climbed 12 per cent from DM534m to DM600m. Fresenius said in a statement released ahead of its annual news conference.

Danone first-term revenues up

Danone, the French foods group, said it posted first-quarter consolidated sales of FF18.5bn (\$3.78bn), up 5.4 per cent from FF18.5bn a year earlier. On a comparable sales mix, structure and exchange rate basis, sales rose 2.5 per cent, it said.

Dewaay denies merger talks

Dewaay, the Brussels-based banking and brokerage group, yesterday denied press reports it was in talks with Bank Degroof over a merger which could create Belgium's biggest stock brokerage. Dewaay confirmed it was in talks to acquire Degroof's computerised banking system. But this was "far from a merger" and "certainly not a takeover", it said.

Atlas Copco lowers expectations

Mr Michael Treschow, chief executive of Atlas Copco, said he was less certain on the previously positive outlook for 1996 earnings because predictions for the development of the German market were too optimistic. Mr Treschow was quoted by the news agency Direkt as saying earlier forecasts of industrial production and construction in the German market were too optimistic.

Commerzbank looks inward for growth prospects

Acquisitions are not ruled out, but the bank has decided to expand mainly from its own resources

When Mr Martin Kohlhaussen, chairman of Commerzbank, moves into his new offices next year, he will survey the competition from the top of Europe's tallest commercial building - nearly 50 storeys and 260m high.



Martin Kohlhaussen: 'If Swiss banks think their market is too small, that is their way of thinking. Our market is OK'

But as the curved triangular structure - its steel skeleton still topped by cranes - pierces the Frankfurt skyline, he takes pains to stress that size is not the main object of its ambitions. "We are not a tiny bank," he asserts somewhat superfluously after pointing out that total assets exceeded DM400bn (\$262bn) last year. "But an institution should be manageable."

target of a 15 per cent return on equity by 2000 is achieved. On the domestic side, high costs and intense competition, have hampered profitability, although... business has improved recently. "We have to improve our domestic retail business." Overall, though, Mr Kohlhaussen says "we are satisfied" with group profits growth so far in 1996.

He does not exclude the possibility of banking mergers elsewhere in Europe, "but I don't see it in Germany". He says Comdirect, Commerzbank's direct banking operation, has won more than 50,000 new customers, with only 10-12 per cent coming from its existing client base.

He does not see the introduction of the single European currency and the advent of multimedia distribution channels for financial services breaking down the walls between national banking markets, he remains undaunted by the threat. The group of competitors is changing. The only point is what are we going to do about it. We can't just sit and relax."

Andrew Fisher and George Graham

Advertisement for Mosbusinessbank, U.S. \$22,000,000 Short Term Loan Facility, arranged by Union Bank of Switzerland. Lists various managers and co-managers from different countries.

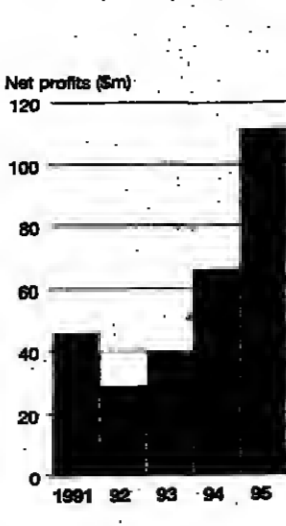
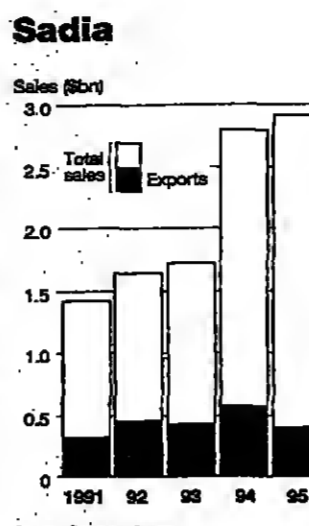
Large advertisement for BTR (Bühler-Turbo-Reinigungs) featuring a large image of a machine and the slogan 'Keeping the world's strings in service'. Includes the BTR logo and contact information.

COMPANIES AND FINANCE: THE AMERICAS

Sadia plans greater training to produce efficiencies

Growth in the Brazilian meat processor's chicken market has stalled, writes Jonathan Wheatley

Judging by its recent performance, Sadia, one of Latin America's biggest meat and soya processors, is in fine form. Last year's profits were its best ever and sales have more than doubled in dollar terms since 1991.



September last year. Since then, chicken prices have stabilised, but so has demand. Chicken consumption in Brazil rose from 8kg a head in 1994 to 18kg in 1994 and 23kg last year, reaching the level of many industrialised countries.

Indeed, last year's profits of \$111m included an extraordinary gain of about \$30m from a share deal in subsidiary company Sadia Mato Grosso. Profits were also helped by financial earnings. Mr Anhalt says the cost of servicing \$600m in overseas debt is more than compensated for by earnings on the company's \$400m cash invested in Brazil, where interest rates are much higher.

resulted in a leaner operational structure and gives it credit for boosting sales and profits. Some savings have resulted from changes to the group's structure. In the past, to take advantage of government incentives, Sadia grew by creating new companies. With the end of these incentives, the number of companies in the group has fallen from 30 to 14 in the past two years.

foundry family. But they say its costs remain high for the industry and point to its main competitor, Perdigão, where family management has been completely replaced by outside 'professionals'.

With redundancies ruled out for the present, analysts say Sadia must look for other savings. Some of Sadia's costs, though, are determined by its size. As one of Brazil's biggest food companies it is also one of its biggest advertisers, sponsoring the main evening television news on the TV Globo station. 'Sadia has a lot of weight in the market,' says Mr Wichmann Neto at Icatú. 'and it's making a big effort to defend it.'

Until the next upturn in the economy, analysts say, Sadia must look to greater efficiency to increase profits. A new management structure devised by consultant firm McKinsey has been in place since 1994. Mr Luiz Fernando Furian, Sadia president, says the new model has

resulted in a leaner operational structure and gives it credit for boosting sales and profits. Some savings have resulted from changes to the group's structure. In the past, to take advantage of government incentives, Sadia grew by creating new companies. With the end of these incentives, the number of companies in the group has fallen from 30 to 14 in the past two years.

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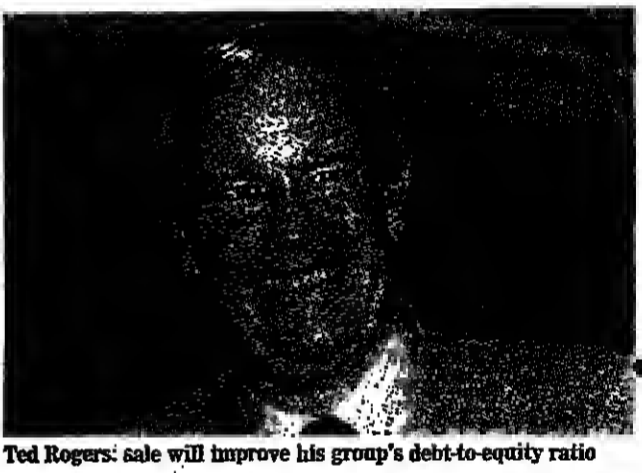
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Cable-TV group to sell Toronto Sun stake

Rogers Communications, Canada's biggest cable-TV operator, has put up for sale its 63 per cent stake in Toronto Sun Publishing, a prominent newspaper group. The proposed disposal comes on the heels of several deals which have reshaped ownership patterns in the Canadian newspaper industry.

per cent stake in the Financial Post business daily. Rogers said it might seek a separate buyer for the Post, which is currently being broken up after several years of losses. Rogers, the Financial Times' parent company, owns 19.9 per cent of the Post.

to dispose of assets to improve its debt-to-equity ratio. Rogers has C\$4.6bn of debt and about C\$1.35bn in shareholders equity. It has a hefty appetite for capital to modernise its cable network as it faces head-to-head competition from telephone companies.



Ted Rogers: sale will improve his group's debt-to-equity ratio

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COMPANIES AND FINANCE: THE AMERICAS

Digital launches Internet products with 'cybercast'

By Louise Kehoe in San Francisco

Digital Equipment, the US computer group, yesterday held the first live "cybercast" news conference on the Internet to introduce new software products and announce the formation of an Internet software business unit.

Computer users around the world were able to tap into the event, listen to a presentation by Mr Bob Palmer, Digital chairman and chief executive, and view graphics.

"What is abundantly clear is that the Internet will become the computing paradigm of the future," said Mr Palmer. "We see it changing the way people do business, allowing partners, suppliers and customers to exchange vital business information in a virtual enterprise."

Digital's new products build on the popularity of its AltaVista Internet search service, launched in December 1995. AltaVista has quickly become the leading method of searching for information on the World Wide Web.

Digital announced plans to "mirror" or replicate the AltaVista Web site in numerous locations worldwide to augment the established site at Digital's California research centre. The regional sites will provide speedy delivery of search results and offer new interface pages in local languages, Mr Palmer said.

Digital also launched a range of AltaVista software products aimed at business users of the Internet and corporate intranets, as well as at individual personal computer users. The programs will enable users to search databases on internal networks, or to search PC files for relevant information.

Digital also announced plans to offer three new Internet software "suites" aimed at companies, workgroups and home office workers. The software suites will include software for electronic mail, work group collaboration, security and network management as well as the AltaVista search programs, Mr Palmer said.

Computer Associates, which recently announced a joint marketing and product development agreement with Digital, will collaborate in the development of Internet software, said Mr Sanjay Kumar, CA president.

Microsoft aims to encourage sales of its software products via the Internet by providing wholesale distributors with technical specifications needed for electronic distribution.

Backing away from plans to deliver software direct to end users, Microsoft said it would continue to rely on wholesalers and companies that configure computer systems for businesses. It expects about 20 companies to sell its programs over the Internet within about a month.

NEWS DIGEST

Sharp rises at US healthcare groups

United Healthcare and Oxford Health Plans, two US healthcare management companies, reported sharp increases in first-quarter earnings yesterday, but their shares fell in early trading amid concern about falling margins.

Both United and Oxford saw increases in the percentage of premium revenue they must pay out in medical costs (known as the medical loss ratio). United saw its medical costs rise to 83 per cent of premium revenue, compared with 78 per cent in the same period last year, while Oxford paid out 80 cents for every dollar of premium revenue, compared with 77 cents in the comparable quarter.

Mr Gary Frazier, a healthcare analyst at Bear Stearns, said that the common trend was an increase in pharmaceutical payments, but the similarity ended there. At United, the largest health maintenance organisation (HMO) in the US, continued competition prevented the company from increasing premiums to keep up with rising costs. At Oxford, it was the decision to take on members in the Medicare health insurance program for the elderly that led to higher medical costs.

United's first-quarter earnings rose 33 per cent to \$118.9m on revenues of \$2.3bn, compared with \$1.1bn. Earnings per share for the quarter were 82 cents, up 22 per cent from the 51 cents last year, but 2 cents a share below estimates. Its shares fell 1% to \$54 in early trading.

Oxford said first-quarter earnings rose 79 per cent to \$18.5m on revenues of \$845m, compared with earnings of \$10.3m on revenues of \$334.3m in the same period last year. In early trading, its shares were 2% lower at \$49, although the per share earnings of 25 cents were a cent ahead of analysts' estimates.

Separately, Columbia/HCA, the largest US hospital management company, reported net income up 16 per cent in the first quarter, in part through the company's continued expansion through acquisition. Columbia bought or signed joint ventures with 18 hospitals, 15 skilled nursing units, seven psychiatric facilities, two in-patient rehabilitation centres and six outpatient rehabilitation centres.

Net income in the first quarter was \$415m, or 92 cents a share, on revenues of \$52m, compared with \$355m, or 80 cents, on revenues of \$4.4bn in the same period last year. Earnings were in line with analysts' expectations, and shares in the company added 3% to \$51 in early trading.

Lisa Bransten, New York

Knight-Ridder sheds unit

Knight-Ridder, the Miami-based newspaper group, is to sell its electronic financial news business to Global Financial Information Corp, a private US group, for \$275m.

Knight-Ridder put the business up for sale in January. Knight-Ridder Financial competes with such services as Reuter and Bloomberg to provide financial news and market data. GFI owns Bridge Information Services, a provider of market data worldwide. GFI is in turn backed by Welsh, Carson, Anderson & Stowe, a New York investment group which is one of the biggest US providers of venture capital.

Knight-Ridder said it would use the proceeds to buy back shares and pay down debt. The deal follows the sale in March of Knight-Ridder's cable interests to its joint venture partner, TCI, for up to \$420m.

Tony Jackson, New York

Four Seasons Hotels ahead

Four Seasons Hotels, the Canadian-based international luxury hotel group, doubled first-quarter earnings to C\$5m (US\$3.68m), or 18 cents a share, from \$2.6m, or 9 cents, a year earlier, because of sharply lower interest costs and good hotel management returns.

Consolidated revenues, including hotel management fees and hotel ownership and investment income, totalled \$27m against \$31m, reflecting asset sales and restructuring. Total revenues of all managed hotels were \$461m against \$441m. Hotel management contributed 87 per cent of operating earnings before depreciation and amortisation.

The company sold its 50 per cent stake in the London Four Seasons late last year, following other asset sales in 1994-95. Total debt has been reduced by \$142m in the past 18 months and first quarter net interest cost dipped \$2m to \$4.8m. In March, debt service repayments and currency swap settlements totalled \$85m.

Four Seasons aims to achieve 90 per cent of profit and cash flow from hotel management, said Mr Isadore Sharp, chairman and controlling shareholder.

When several new properties are completed, Four Seasons, with Regent, will operate 50 luxury hotels in 22 countries.

Robert Gibbers, Montreal

■ National Bank, Canada's sixth-largest and concentrated heavily in Quebec, is expanding its presence in the Ontario market by buying 29 branches from troubled Municipal Financial for C\$46m (US\$33.67m).

Robert Gibbers

AHP to sell canned pasta operation

By Richard Waters in New York

The maker of Spaghetti-Os, every American child's favourite canned pasta, has been put up for sale by American Home Products as part of a continuing move by the US drugs group to narrow its range of businesses.

Chief Executive, a long-established brand of canned pastas, is one part of the company's food products division, which had sales last year of \$819m. Other brands include Pam, a non-stick cooking spray, and Golden's, a mustard.

AHP said yesterday it had retained J.P. Morgan to find a buyer for the business, and that it hoped to complete a disposal in two to four months.

The decision to sell the operation, which generated only 6 per cent of the group's \$13.4bn of revenues last year, reflects a decision to concentrate more on prescription pharmaceuticals, AHP said. Besides pharmaceuticals, which generated \$6.5bn of sales last year, the company also makes consumer health products (\$2.7bn), medical supplies (\$1.1bn) and agri-

cultural products (\$1.9bn).

Last year, AHP, the toothpaste business by selling Kolynos, maker of the biggest selling toothpaste in several Latin America countries, to Colgate-Palmolive, the US consumer products group, for \$1.04bn in cash. That business had annual sales of \$300m.

The food businesses are unlikely to realise anything near that multiple of sales, though. Prices in recent acquisitions of US food businesses have varied greatly, depending on the strength of the brands being sold. The troubled US food group Borden was sold two years ago for less than half its \$1.5bn turnover at the time. On the other hand, Campbell Soup, a company with a strong brand, is valued at twice its turnover.

A disposal of AHP's food business is likely to be aided by a recent rebound in sales after an 18 per cent decline in 1995. During the first three months, sales climbed by a similar 18 per cent, compared with a weak quarter the year before. The rebound in part reflected higher spending on marketing, AHP said.

P&G renews pressure on Bankers Trust

By Richard Waters

Just two weeks before its long-running dispute with Bankers Trust over two loss-making derivatives contracts is due to come to trial in the US, executives at Procter & Gamble have mounted a renewed offensive to persuade the New York-based bank to agree to an out-of-court settlement.

For its part, Bankers Trust appears set on facing down the pressure, in what is the last and by far the biggest of the disputes that dented the bank's reputation in the derivatives markets two years ago and prompted an overhaul of its top management.

Mr Gary Hagopian, the consumer product company's general counsel, said yesterday: "What we're looking for is a settlement that's fair and reasonable." He indicated that the company would consider, "as a starting point", the sort of settlement that Bankers Trust has agreed with other companies that brought claims over losses they had suffered on

leveraged derivatives contracts bought from Bankers Trust.

In the biggest of these, the bank settled an action by Gibson Greetings by paying 70 per cent of the amount claimed, while it paid 60 per cent in other cases, Mr Hagopian said. By contrast, he added, the bank had offered "less than 40 per cent" of P&G's claim, which totals \$195m.

The company's willingness to discuss a possible settlement in public brings a marked change of tactics ahead of the trial, scheduled to begin on May 20 in Cincinnati, and follows a series of legal manoeuvres which appear to have tilted the case more in the bank's favour.

In response to recent motions, Mr John Feikens, the judge in the case, has ruled that any claim for triple damages under the US's anti-racketeering legislation would have to wait until after the first trial is completed. Also, he denied a P&G request to rescind one of the two contracts in dispute. Bankers Trust refused to be



Frank Newman took over at Bankers Trust this year

John Pepper, P&G chairman, one involving Mr Charles Sanford, the bank's former chief executive, and the other Mr Frank Newman, who took over this year.

In its only other derivatives dispute to go to trial, Bankers Trust defended itself successfully against Diarmala, an Indonesian company, in a UK court. Other suits have been settled out of court, including those brought by Gibson Greetings, Air Products and Sandoz.

While P&G has sought to draw comparisons between its complaint and that of Gibson Greetings, that case was the only one to draw direct action from US regulators. Mr Hagopian said, though, that evidence amassed by P&G showed that its case bore many similarities.

The P&G case is the last of any size outstanding over Bankers Trust, although the bank still faces the findings of an independent investigation of its derivatives business, undertaken at the behest of US regulators.

FORD MOTOR CREDIT COMPANY
U.S. \$ 250,000,000

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In accordance with the provisions of the above mentioned Notes, notice is hereby given as follows:

- Interest period: May 7th, 1996 to August 5th, 1996 (90 days)
- Interest payment date: August 5th, 1996
- Interest rate: 5.73% per annum
- Coupon amount: US \$ 143.25 per note of US \$ 10,000
- US \$ 1,432.50 per note of US \$ 100,000

Agent Bank
BANQUE INTERNATIONALE A LUXEMBOURG

FUJITA CORPORATION USA
US \$25,000,000

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In accordance with the provisions of the above mentioned Notes, notice is hereby given as follows:

- Interest period: May 7, 1996 to November 4, 1996 (181 days)
- Interest payment date: November 4, 1996
- Interest rate: 5.8785% per annum
- Coupon amount payable per Band of US \$ 100,000: US \$ 2,954.60

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March 1996

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The undersigned acted as advisor to the Ministry of Economy of the Czech Republic.

Salomon Brothers

COMPANIES AND FINANCE: ASIA-PACIFIC

LTCB seeks buyer for US securities unit

By Gerard Baker
in Tokyo

The Long-Term Credit Bank of Japan is negotiating with several European companies over the planned sale of its US securities subsidiary, Greenwich Capital Markets Inc.

LTCB officials would not confirm the names of interested parties yesterday, but it is understood that National Westminster, the UK commercial bank, is at the top of the list of potential buyers of the Connecticut-based broker.

The leading Japanese lender is anxious to dispose of the broker as part of a restructuring aimed at eliminating its massive pile of bad loans.

LTCB bought GCM for \$140m in 1988, during the wave of Japanese acquisitions of US financial services companies of the time. The company has become LTCB's principal vehicle in US capital markets.

In September last year, the bank's bad loans totalled about ¥1,300bn (\$12.4bn), 8.7 per cent of its total lending. Most were accumulated from lending during the years of the so-called bubble economy of the late 1980s.

The bank recently announced it would write off ¥650bn in such assets in the year to the end of March, and would plunge into the red as a result, with an expected parent company recurring loss, before extraordinary items and tax, of ¥90bn.

Earlier this year LTCB became the first big Japanese bank to announce it would shrink its balance sheet in an effort to address its problems. It plans to focus its securities activities on the domestic Japanese market.

GCM's main activities are trading of fixed-income securities and related derivative products, mostly US government bonds, and asset-backed securities. It employs more than 400, serving a client base of about 2,000 customers, with average daily clearing volume in excess of \$20m.

LTCB said it had no real problems with the company's performance. Its aim was to liquidate its capital to help cover the loan losses. The sale price is likely to be substantially higher than what LTCB paid, though the sharp rise in the yen's value since the purchase will erode some of those gains.

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Manila SE contests SEC ruling on listing

By Edward Luce in Manila

The Philippine Stock Exchange yesterday asserted its growing independence from Manila's powerful Securities and Exchange Commission by contesting a SEC ruling which would allow controversial property company to list on the Manila market.

The company, Puerto Azul Land, the largest resort developer in the Philippines, was debarred by the 15-member PSE from issuing its IPO in March because of a legal dispute over sequestered land.

The PSE decision, based on Puerto Azul's failure to disclose that 360 hectares of its 3,800-hectare holdings were contested in the courts by (among others) the family of the late dictator, President Ferdinand Marcos, was subsequently overturned by the SEC.

The SEC said Puerto Azul had not breached disclosure rules. The commission retains the power to veto stock market board decisions, pending a move to deregulate Manila's exchange along the lines of the New York market's antimonopoly statute.

However, Mr Eduardo de los Angeles, chairman of the PSE, contested the SEC's ruling. Mr de los Angeles, who is widely tipped to become the next chairman of the SEC, said Puerto Azul, which is controlled by the Panilio family, former associates of the Marcoses, had failed in its IPO brochure to disclose that ownership of the land was legally questionable.

The Marcos family, which claims that under a "gentlemen's agreement" the Panilios had agreed to keep the land in trust for them until an unspecified date, admitted they expropriated the 360-hectare site from the original owners in the 1960s. These owners are also contesting the IPO.

Aside from the dispute between the two families, the counter-rulings highlight the growing tension between the SEC and the PSE ahead of the deregulation of the Philippine capital markets.

Under terms of a US\$150m capital markets loan by the Asian Development Bank, which was formally signed last week, disclosure rules will be brought into line with international practice. The PSE, which will also move to fully scrippless trading, will be given self-regulatory status.

NEWS DIGEST

China cautions on futures trade rules

China warned yesterday that commodities futures traders seeking to manipulate fledgling markets would face heavy fines and suspensions. The China Securities Regulatory Commission (CSRC), the body responsible for regulating China's markets, said violators faced "warnings, confiscation of illegal gains, fines, trading suspensions or will even have their licenses revoked".

The warning coincides with continuing efforts by the regulatory agency to curb speculation in commodities futures. It has imposed strict limits on trading by state corporations, and banned Chinese firms from trading futures outside the country. China has also closed many commodities trading centres in an attempt to combat speculative excesses. The lack of a national futures law is complicating the task of regulating the markets.

The Shanghai Securities News, a semi-official newspaper, reported that the new rules were aimed at stamping out market manipulation and curbing speculation. It defined market manipulation as rigging prices for illegal profits.

Meanwhile, Mr Zhou Dajiong, chairman of the CSRC, told a symposium in Shanghai that Beijing would allow more companies to list outside China in 1996. It would also accelerate development of its E-share markets for foreign investors. Mr Zhou said work was continuing on draft securities and futures laws, but gave no indication when this may be completed.

The proposed National Securities Law has been through about a dozen drafts, but disagreement among government bodies responsible for China's markets is delaying approval.

Tony Walker, Beijing

Share buy-backs fail to take hold in Japan

Repurchases are considered good PR above anything else, writes Emiko Terazono

Japan's leading companies have been lining up to repurchase their shares. However, according to analysts, buy-backs may turn out to be little more than a passing fad.

At the height of investor pessimism last year, the Japanese ministry of finance, and corporations, turned to share buy-backs as a way of reviving the stock market. The *keidaren*, the influential business lobby, led the call for the government to make share buy-backs easier.

The device is well-known in the US and UK, but perhaps because Japanese companies have less spare cash than their western counterparts, buy-backs as a means of managing cash and improving return on equity are less attractive.

In addition, with the stock market and economy showing signs of recovery, some companies believe they can put their money to more profitable use by investing in additional capacity and new products.

Share repurchases have traditionally been frowned upon in Japan as a way of manipulating share prices, but they became possible when the ministry last year waived until March 1999 a tax provision which had been acting as a disincentive.

Under this provision, the

increase in capital per share as a result of the buy-back had been taxed as dividend income. However, the ministry of finance has temporarily shelved this practice to encourage share buy-backs.

According to the country's Life Insurance Association, one in three large companies are considering such deals. However, the spate of repurchase announcements following the tax change has failed to impress investors, because the amounts relative to outstanding shares have been small.

While the figure itself is considerable, Toyota Motor's decision to buy back ¥100bn (\$854.9m) of its shares only accounted for 1.2 per cent of its total outstanding shares. "It's better than nothing, but if Toyota really wanted to make an impression on investors it would have bought back about 10 per cent," says Mr Koji Endo, car analyst at Lehman Brothers in Tokyo.

Tokyo analysts believe Toyota repurchased a token amount since its chairman, Mr Shoichiro Toyoda, is also the head of the *keidaren*. While the company is one of the few with spare cash on its balance sheet, it is expected to need those funds for capital spending and pension payments.

Mr Yutichi Matsushita, analyst at Nikko Research Center,

the research arm of Nikko Securities, says share repurchases by Japanese companies may prove to be a brief trend. Japan's corporations do not have as big a financial incentive to buy back their own shares as companies in the US, where executive bonuses are directly linked to stock prices. Neither do Japanese shareholders place great importance on fundamentals. Dividend yields have traditionally been too low to matter, while *pye ratios* have been regarded as distorted by factors such as cross share-

holdings and unrealised profits on assets. "There is only a vague image that share buy-backs are good for shareholders since most investors still do not see valuations as important."

Companies, meanwhile, seem unimpressed by the argument that they should buy back shares, since record low interest rates have depressed the returns on bank deposits to levels below dividend payouts. Komatsu, the world's second largest manufacturer of construction equipment, which

will spend ¥20bn (or 2 per cent of its equity capital) on buy-backs, says it will save ¥160m in dividends.

With the economic recovery helping confidence, other car companies are likely to be reluctant to follow Toyota, preferring to increase return on equity by improving profits through research and development, says Mr Endo at Lehman Brothers.

With the economy recovering from a five-year slump, Japanese companies know they will need the cash for capital expenditure. "We are buying back our shares within the limits our profits allow," says Asahi Breweries, which is buying back ¥10bn, or about 1.9 per cent of its outstanding shares.

If share buy-backs take root in Japan, stock analysts expect the decrease in the number of shares to be positive for Japanese equity prices. But so far, companies which have announced buy-backs seem more intent on receiving a public relations benefit: they want to be thought of as caring for their shareholders.

However, as Mr Neil Rogers, strategist at UBS Securities in Tokyo, points out: "There are a lot of things companies could do to improve their return on equity before buying back their shares."

Japanese share buy-backs

1,000 leading companies surveyed*, 389 responded

Plans for share repurchases	Number of Companies
Scheduled to repurchase shares	12
Currently considering share buy-backs	66
Do not intend to repurchase shares	259

Reasons for not repurchasing shares	Number of Companies
Share price is not a priority	138
Would rather pass on profit increases through dividend increases and other methods	114
Effects of buy-backs unclear	86
Need to use funds for capital investment	87
Insufficient cash for repurchases	35
Process too cumbersome	10
Other companies not doing it	9
Other reasons	26

* Survey by the Life Insurance Association of Japan on share buy-backs conducted January 1996

UK merger failure fuels HK Telecom stock rally

By John Riddling in Hong Kong

Shares in Hongkong Telecom continued to surge yesterday amid speculation that Chinese interests and rival telecoms companies may seek a stake to the territory's dominant operator.

The increase, from HK\$15.20 to HK\$15.60, took to just under

6 per cent the rise in the company's shares this week. The rally follows the collapse of merger talks between British Telecommunications and Cable and Wireless, the UK group which has a majority stake in Hongkong Telecom. The breakdown in talks last week has focused attention on Hongkong Telecom, the biggest and most

profitable part of C&W. C&W has dismissed reports that it might sell its controlling 57.5 per cent stake in the territory's operator. But investment bankers in Hong Kong say Chinese companies and some local groups have expressed interest in acquiring shares in Hongkong Telecom. Reports of Chinese interest

follow last week's reorganisation of Hong Kong's aviation industry, in which mainland companies took big stakes in the territory's two airlines. "Hongkong Telecom is now left as the only strategic company which is majority controlled by a UK group," said one telecoms analyst. "So the expectation is that there will also be a

restructuring of its capital ahead of the handover [of Hong Kong to China]," he said. Attention is on Citic Pacific, the Hoog Koog arm of Beijing's flagship investment vehicle. The company, which already holds 10 per cent of Hongkong Telecom, last week lifted its stake in Catbay Pacific from 10 to 25 per cent.

PT TAMBANG TIMAH (PERSERO) AND SUBSIDIARIES				Head Office Jl. Jend. Sudirman No. 51 Pangkalpinang, Bangka 33121 Indonesia			
CONSOLIDATED BALANCE SHEETS (UNAUDITED) 31 MARCH 1996 AND 1995		CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED) FOR THE FIRST QUARTER PERIODS ENDED 31 MARCH 1996 AND 1995		Rp		US\$	
ASSETS	1996	1995	LIABILITIES AND SHAREHOLDERS' EQUITY	1996	1995	1996	1995
CURRENT ASSETS			CURRENT LIABILITIES			SALES	
Cash on hand and in banks	3,360	4,594	Trade payables	22,951	17,390	135,846	58,146
Short-term investments	256,609	100,726	Dividend Payable	33,030	-	COST OF GOOD SOLD	170,225
Accounts receivable			Pension fund payable	3,510	6,759	GROSS PROFIT	65,321
Trade:			Taxes payable	6,509	3,657	OPERATING EXPENSES	
- Third parties - net of allowance for doubtful accounts of Nil in 1995 and 1,645 in 1996	27,138	25,553	Other payables:			Exploration costs	17,671
Affiliate - net of allowance for doubtful accounts of Nil in 1996 and 1995	417	1,325	Third parties	625	692	General and administration	115,449
Others:			Affiliates	3,878	1,268	Selling expenses	12,986
- Third parties - net of allowance for doubtful accounts of 2,766 in 1996 and 3,983 in 1995	6,467	3,706	Provision for termination of employees	0	31,546	OPERATING INCOME	119,214
Affiliates - net of allowance for doubtful accounts of 1,480 in 1996 and 2,761 in 1995	31,801	15,637	Provision for environmental protection and rehabilitation	2,459	2,901	OTHER INCOME (EXPENSES):	
Inventories	136,411	100,070	Accruals	25,767	14,702	Equity in net income of unconsolidated affiliates	1,072
Prepaid taxes	9,836	15,820	Current maturities of long term liabilities			Interest income	6,545
Other advances and prepayments	12,847	3,995	Affiliates:			Interest expense and bank charges	19,611
Total current assets	487,086	270,728	Royalties payable	1,215	13,913	Miscellaneous income	3,345
INVESTMENTS	15,531	13,039	Bank loans	27,956	13,262	Miscellaneous expenses	9,176
FIXED ASSETS			Total current liabilities	130,623	166,309	INCOME BEFORE EXTRAORDINARY ITEMS	55,183
Cost and valuation:			LONG-TERM LIABILITIES			EXTRAORDINARY ITEMS (NET)	0
Land/leasehold	323	279	Net of current maturities			INCOME BEFORE PROVISION FOR INCOME TAX	55,183
Buildings	70,971	56,658	Affiliates:			PROVISION FOR INCOME TAX	115,763
Machinery and installation	142,210	112,270	Bank loans	15,549	58	NET INCOME	39,420
Exploration, mining and production equipment	228,722	232,648	Royalties payable	0	13,294	OPERATING INCOME PER SHARE	97
Transportation equipment	23,489	21,233	Provision for environmental protection and rehabilitation	12,792	2,742	NET INCOME PER SHARE (IN B SHARES PER GDR)	97
Office and house equipment	15,012	10,454	Other liabilities	84	5		
Computer installation	1,589	1,215	Total long-term liabilities	26,416	16,104		
Less: Accumulated depreciation	(492,416)	(434,157)	Total liabilities	157,239	124,444		
	(314,554)	(298,165)	SHAREHOLDERS' EQUITY				
Net book value	177,362	136,592	Share capital Rp.500 per value per a class share and B class shares as at 31 March 1995 and Rp. 1,000,000 per priority and common share as at 31 March 1996				
OTHER ASSETS			Authorized + 1 A class share and 999,999,999 B class shares as at 31 March 1995 and 100,000,000 common shares as at 31 March 1996				
Construction in progress	11,938	7,346	Issued and fully paid - 1 A class shares as at and 503,301,999 B class shares as at 31 March 1996 and 100,000,000 priority shares and 20,000 common shares as at 31 March 1995				
Non-operational assets	2,571	2,540	31 March	251,651	120,000		
Deferred IPO costs less amortization	6,293	0	Share premium	120,792	0		
Deferred exploration and evaluation costs less amortization	19,885	11,732	Government participation	0	3,714		
Long-term receivable - Affiliate	2,286	3,358	Foreign exchange translation adjustment	24	19		
Total other assets	42,883	24,976	Retained earnings	193,676	197,118		
			Total shareholder's equity	566,143	320,841		
			TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	723,382	445,335		

UNILEVER N.V.
DIVIDEND ON DUTCH CERTIFICATES OF FL 1,000, FL 100, FL 20 and FL 4 FOR ORDINARY CAPITAL ISSUED BY N.V. NEDERLANDSCH ADMINISTRATIE-EN TRUSTKANTOOR

Final dividend payments of FL 4.71 per FL 4 ordinary capital in respect of the year 1995 will be made on or after 24th May 1996 against surrender of Coupon No. 18. Coupons may be encashed through one of the paying agents in the Netherlands or through Midland Securities Services ("Midland") at the address below. In the latter case they must be listed on the special form, obtainable from the Bank, which contains a declaration that the certificates do not belong to a Netherlands resident.

DUTCH DIVIDEND TAX relief is given by certain Tax Conventions concluded by the Netherlands. A resident of a convention country will, generally, be liable to Dutch dividend tax at only 15% provided the appropriate Dutch exemption form is submitted. No form is required from UK residents holding "K" certificates if the dividends are claimed from Midland within six months from the above date. If the certificates are owned by a UK resident and are effectively connected with a business carried on through a permanent establishment in the Netherlands, Dutch dividend tax at 25% will be deducted and will be allowed as credit against Dutch tax payable on the profits of the establishment. Dutch dividend tax on this dividend is FL 1,175 at 25% and FL 0.7065 at 15%. The proceeds from the encashment of coupons through a paying agent in the Netherlands will be credited to a convertible florins account with a bank or broker in the Netherlands.

UK INCOME TAX at the reduced rate of 6% on the gross amount will be deducted from payments made to UK residents instead of at the lower rate of 20%. This represents a provisional allowance of credit at the rate of 15% for the Dutch dividend tax already withheld. No UK income tax will be deducted from payments to non-UK residents who submit an Inland Revenue Affidavit of non-residence in the UK.

A statement of the procedure for claiming relief from Dutch dividend tax and for the encashment of coupons, including names of paying agents and convention countries, can be obtained from Midland at the address below.

N.V. NEDERLANDSCH ADMINISTRATIE-EN TRUSTKANTOOR
London Transfer Office, Midland Securities Services, Client Delivery, Midland Bank PLC, Mariner House, Peppers Street, London EC3N 4DA, 7th May 1996.

INVESTISSEMENTS ATLANTIQUES
Société d'Investissement à Capital Variable
Siège social : Luxembourg, 14, rue Aldringen
Régime de Commerce - Section B 8722

NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The annual general meeting of shareholders of INVESTISSEMENTS ATLANTIQUES, SICAV will be held at its registered office in Luxembourg, 14, rue Aldringen, L-1114 Luxembourg, on May 17, 1996 at 2.00 p.m. for the purpose of considering and voting upon the following matters:

1. Presentation of the management report of the directors and the report of the auditor.
2. To approve the annual accounts for the year ended December 31, 1995.
3. Allocation of net results.
4. To discharge the directors with respect to their performance of duties during the year ended December 31, 1995.
5. To elect the directors and the auditor to serve until the next annual general meeting of shareholders.

The shareholders are advised that no quorum for the statutory meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting of May 17, 1996, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14 rue Aldringen, Luxembourg, or with the following bank: Banque Générale du Luxembourg S.A., 50, Avenue J.F. Kennedy, L-2551 Luxembourg.

The Board of Directors

Handwritten signature or stamp at the bottom of the page.

COMPANIES AND FINANCE: UK

Lucas shares up on talk of Varsity merger

By Tim Burt and Greg McIvor

Shares in Lucas Industries yesterday rose more than 12 per cent to a year's high after the UK automotive components and aerospace equipment group confirmed that its talks with Varsity Corporation of the US could lead to the creation of one of the world's largest brakes manufacturers. The prospective \$2bn (\$4.5bn) merger has been welcomed by several carmakers, which have increased the pressure for consolidation in the industry by seeking supplies from fewer, larger components groups. One large European carmaker, which asked not to be named, said the process was inevitable and could lead to mergers among other international engineering companies. "If such mergers deliver better products at a better price, then all vehicle manufacturers would welcome it," the company said. Although Lucas has indicated that Varsity would be its preferred merger partner, T&N - the UK components and spe-

cialist engineering group - hinted that it would still like to forge an alliance with Lucas. T&N has made several overtures to Lucas, but has so far been rebuffed. Yesterday, the company let it be known that it would only consider an agreed deal with Lucas and would not try to derail an alliance with Varsity by mounting a hostile bid. Lucas, meanwhile, reiterated that its talks with Varsity - former owner of Massey Ferguson, the tractor maker - were at a preliminary stage and may result in no more than a joint venture agreement. However, both boards have set up joint working parties to explore a possible integration. A director of one of the companies said they had begun considering possible competition inquiries in North America and Europe, adding that "if a deal is going to happen, it will do so fairly quickly". Expectations of a deal pushed Lucas shares up 25 1/2 p to 233 1/2 p. Shares in Varsity, meanwhile, rose 5% to 444 p in early trading.

Institutions disappointed at price of 420p plus special 20p dividend Midlands agrees to US offer

By Patrick Harverson

The dwindling band of independent UK regional electricity companies was reduced to five yesterday after Midlands Electricity announced it had agreed to a £1.73bn (\$2.61bn) takeover by two US utility groups. It has recommended its shareholders accept the offer of 420p a share in cash plus a special 20p dividend from Avon Energy, a new company jointly owned by General Public Utilities of New Jersey and Cinergy of Cincinnati. However, several institutional shareholders expressed disappointment at the price accepted by Midlands, even though it was above the 365p a share offered last year by PowerGen, the generating group whose agreed bid for the rec was blocked by the government two weeks ago. One fund manager said the management had undersold the company at the time of the PowerGen deal and may have done so again. "It's a pity that there hasn't been open competition for Midlands," he said, adding he would not sell out to the US bidders just yet. Another institutional shareholder agreed, saying it was also in no hurry to accept the offer from GPU and Cinergy.

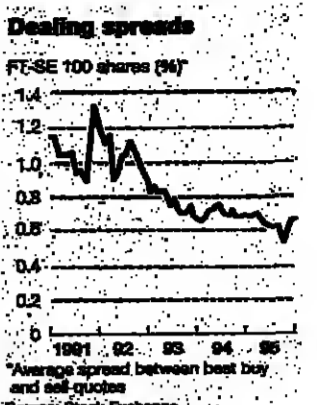


Deal is done: left to right, Mike Hughes and Bryan Townsend, chief executive and chairman of Midlands Electricity, Jim Rogers chief executive of Cinergy and Jim Leva, chief executive of GPU

Most of the buying of Midlands shares was by brokers for GPU and Cinergy. They acquired 27m shares to take the group's stake to 9 per cent. Yet some shareholders said they hoped a rival bidder for Midlands would emerge. Houson Industries has been talked of as a suitor, but yesterday there was no sign the Texan group was preparing a bid. The modest 10p increase in Midlands' share price to 430p suggested the market did not expect the offer to be bettered. PowerGen, which is Midlands' largest shareholder having acquired a 21 per cent stake at the time of its bid for the company, would not comment on yesterday's deal. It is considering whether to seek a judicial review of the government's decision to block its bid for Midlands. However, if it declines to challenge the decision it will make a profit of more than £70m on its holding. Lex, Page 14

LEX COMMENT Stock Exchange

Marketmakers are dead; long live marketmakers! But be sure to call them "registered principal traders" (RPTs) instead. The acronym has cropped up as part of the debate about precisely what system should replace the London Stock Exchange's current quote-driven mechanism, under which marketmakers enjoy a fistful of privileges in exchange for publishing continuous two-way prices. The advantages of switching to an order-matching system, under which buy and sell orders are matched electronically, are now widely accepted. But, not surprisingly, the marketmakers want to hang onto their privileges - especially, their exemption from stamp duty. Hence, the concept of an RPT, which has been floated in a recent unpublished Stock Exchange document. This new class of broker would retain tax privileges in return for supplying liquidity to the market. One idea is that RPTs would be required to supply two-way quotes; another that they would have to put in a buy order when only sell orders appeared on the screen and vice versa. Haven't we been here before with marketmaking? An obligation to supply liquidity sounds fine in theory. The snag is that it is almost impossible to police. Moreover, by adding to the industry's cost base, obligations act as a barrier to entry - so shoring up what has become a quasi-cartel. Meanwhile, privileges nationally granted for providing a public service are regularly abused to support proprietary trading positions. Instead of becoming entangled in the tired old debate about special obligations and privileges, the Stock Exchange should sweep both away.



DIGEST CRH continues US expansion

CRH, the Dublin-based building materials group, yesterday announced a further expansion of its US operations with a series of purchases costing \$20m, including assumed debt. The group's US building materials businesses, including glass and architectural products, now operate from almost 200 sites in more than 30 states producing annual sales of more than \$1.1bn. The latest acquisitions include Ritangela, an asphalt and paving construction business based in Orange County, New York State, Brooks Products, a producer of pre-cast concrete vaults and Foster and Southeastern, two concrete masonry, block and pre-cast concrete manufacturers, based in Massachusetts. Total trading profits from the new acquisitions were \$4.4m in 1995 on sales of \$61m. Andrew Taylor

UK oil output to double

The total cash flow of companies producing oil and gas upstream in the UK Continental Shelf could double to more than £7bn (\$11bn) a year before 2000, as the region enters "a period of record production", consultants reported yesterday. Total cash flow for the nearly 80 companies concerned was £3.5bn last year, down from £4bn in 1994. The fall was mainly because of the rise in capital spending as the £1.3bn Brent redevelopment programme began. Capital spending would grow further to £4.6bn this year. Cash flow would rise as "a further tranche of new fields started up", capital spending would fall to £1.5bn by 2000 and production become more efficient, according to the report by Wood Mackenzie, the business consultancy arm of NatWest Markets. Simon Kuper

Forte puts Maid online

Forte yesterday served up a new kind of room service when it announced it was installing the Maid online information database in its hotel rooms. As part of the investment, Forte, which was bought by Granada earlier this year, also intends to provide guests with access to the Internet. The first stage will involve supplying Profound, which has a database containing information on thousands of companies. Christopher Price

Eurotunnel banks rebuked

Sir Alastair Morton, co-chairman of Eurotunnel, yesterday rebuked the Channel tunnel operator's banks over weekend press reports about their outline refinancing plan for the group. He said that the Paris Bourse and London Stock Exchange might be concerned about the leaks. His comments came after Mr Patrick Fonsolle, the other co-chairman, had criticised the banks for conducting "gunboat diplomacy". Yesterday, Eurotunnel released traffic figures for April showing a significant increase compared with the same month last year, which was before all its services were fully operational. The number of vehicles on Le Shuttle increased from 96,735 to 154,522 while the number of freight trucks nearly doubled to 42,689 (22,648). The number of Eurostar passenger trains also doubled, to 1,106 (542). Geoff Dyer

PUBLIC NOTICE

SCOTTISH EQUITABLE POLICYHOLDERS TRUST LIMITED

NOTICE IS HEREBY GIVEN that the third ANNUAL GENERAL MEETING of Qualifying Policyholders of Scottish Equitable Policyholders Trust Limited will be held at the offices of Scottish Equitable plc, 1/3 Leuchlin Crescent, Edinburgh Park, Edinburgh EH12 on Tuesday 21 May 1996 at 2.15 pm for the following purposes:-

- To consider the Report on the activities of the Company for the year ended 31 December 1995.
- To approve the aggregate ordinary remuneration to be made available to the Directors of the Company.
- To reappoint Directors of the Company retiring by rotation at the Meeting, namely:
 - (a) Maxwell C R Ward
 - (b) Paul H Ginn
 - (c) David A Berridge.

Any Qualifying Policyholder who is entitled to attend and vote is entitled to appoint another person (who need not be a Qualifying Policyholder) as his proxy to attend and vote instead of him. A proxy is entitled to vote but is not entitled to speak, except to demand or join in demanding a poll. Proxy forms, which can be obtained from the Company Secretary at the following address, must be deposited at 28 St Andrew Square, Edinburgh EH2 1YF before 2.15 pm on 19 May 1996.

Every Qualifying Policyholder whose policy, as at the commencement of the Meeting, is in force, and has been at least one year in force, is entitled to attend and vote at the Meeting.

"Qualifying Policyholders" for the purposes of this Notice has the meaning set out in the trust deed created by the Company on 31 December 1993 and extends to:-

- any person who was a member of Scottish Equitable Life Assurance Society and whose policy has been transferred to Scottish Equitable plc;
- any person who has a with profits policy with Scottish Equitable plc where the policy has been linked to the With Profits Sub-Fund for a continuous period of at least one year as at the commencement of the Meeting.

Any queries in respect of the qualification of policyholders to attend and vote at the Meeting should be addressed to the Company Secretary at the address specified below.

28 St Andrew Square
Edinburgh EH2 1YF

By Order of the Board
PH Ginn
Managing Director



To bring together those who have money to invest with those who seek to raise it is a fundamental of international investment banking. To do so in primary and secondary markets with skill and strength, in a way and at a price that leaves both sides well satisfied, is a fundamental of BZW.

Shareholders are referred to the cautionary announcements published on 13 March and 2 April 1996 and the company's quarterly results published in the press on 17 April 1996.

Shareholders are advised to continue to exercise caution when dealing in shares of the company.

Johannesburg 8 May 1996

This notice is issued in compliance with the requirements of The Irish Stock Exchange Limited, the London Stock Exchange Limited, the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland and the UK Financial Services Act, 1986. It does not constitute an offer of, or invitation to any person to subscribe for or purchase any securities.

Application has been made to The Irish Stock Exchange Limited and the London Stock Exchange Limited ("the Stock Exchanges") for the New Ordinary Shares, proposed to be issued by the Company pursuant to the Placing and the Open Offer to be admitted to the Official Lists in Dublin and London. Applications has also been made to the Stock Exchanges for the existing issued Ordinary Shares and the Existing Warrants to be admitted to the Official Lists in Dublin and London because the existing listings for both have been suspended following the posting to shareholders yesterday of a circular (comprising listing particulars and a prospectus) giving details of the proposals referred to below. The existing listings will be cancelled immediately before Admission. It is expected that Admission will become effective and that dealings will commence in the existing issued Ordinary Shares, the Existing Warrants, the Open Offer Shares fully paid and in the Placing Shares partly paid on 31 May 1996.

DRAGON OIL PLC

(Incorporated on 21 September 1971, in Ireland under the Companies Act, 1963 - Registered Number 35228)

Proposed Acquisition of 60 per cent. of Learning Energy Assets Ltd.

Proposed Placing of Shares for \$37.5 million

Proposed partially underwritten Open Offer to Qualifying Shareholders for up to \$12.7 million

Proposed grants of certain options and warrants

Proposed new Articles of Association

Proposed alteration to Share Option Scheme

SHARE CAPITAL		Present		Proposed	
	Number	IR£	Number	IR£	US\$
Ordinary Shares of 10p each	3,000,000,000	30,000,000	2,953,759,228	29,537,592	29,537,592
Issued and credited as fully paid	2,109,828,000	21,098,280	2,000,000,000	20,000,000	20,000,000
Issued and credited as partially paid	-	-	-	-	-
Existing Warrants	221,847,720	-	-	-	-

Each Existing Warrant entitles an Existing Warrantholder to subscribe for an Ordinary Share at an exercise price of \$12.70 per Ordinary Share at any time up to and including 1 November, 1999 and on the terms set out in the Existing Warrant Instrument.

Dragon Oil PLC is an international oil and gas exploration company with interests in the United States of America, Europe and the Far East. Following completion of the proposals referred to above, the Company's principal interest will be the exploration for and the production of oil from Block II in the Caspian Sea, offshore Turkmenistan.

A document comprising listing particulars and a prospectus relating to the Company has been published and copies are available, for collection only, during normal business hours up to and including 9 May, 1996 from the Company Announcement Office of the Stock Exchanges at 28 Abchurch Lane, Dublin 2, Ireland and at Capel Court Entrance, Bartholomew Lane, London EC2N 1EP and during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted) up to and including 30 May, 1996 from Dragon Oil PLC, 7 Fitzwilliam Square, Dublin 2, Ireland, J&E Davy (the Company's sponsor), Davy Jones, 49 Darnley Street, Dublin 2, Ireland and the office of Adams Media Group, Broadwalk House, 3 Appold Street, London EC2A 2EA.

8 May, 1996

COMPANIES AND FINANCE: UK

Premier League deal linked to subscriptions and may be worth £700m

BSkyB rises 71% to £178m

By Raymond Snoddy

British Sky Broadcasting, the satellite television group, has proposed a joint venture with the English soccer Premier League for the exploitation of television football rights.

Under the proposal for the renewal of BSKyB's crucial football contract the Premier League will be offered a percentage of every subscription to Sky Sports channels rather than an up-front sum.

The next broadcasting deal with the Premier League could be worth £500m or even £700m. (£1.06bn) BSKyB is trying to outflank possible rivals for the rights by offering a much closer relationship with the League in line with the satellite broadcaster's deal with the

Hollywood movie studios which are paid on a per-subscriber basis.

News of BSKyB's approach to the new Premier League contract to run from the 1997-98 football season came as the company announced a 71 per cent increase in pre-tax profits to £178m for the nine months to March 1996. Analysts are looking for full-year profits of more than £250m.

The satellite company also confirmed that it was planning to launch digital satellite television in the UK in autumn 1997.

In the past nine months BSKyB turnover has risen 30 per cent to £736m and the total number of paying subscribers has increased to 5.35m in the UK and Ireland.



Sam Chisholm: soccer deal similar to one with movie studios

Vodafone raises holding in SFR

By Christopher Price

Vodafone, the telecommunications group, is paying FF2.31bn to increase its stake in SFR, France's second biggest mobile telecommunications company, in a move which values it at FF35bn.

Vodafone is taking its share from 10 per cent to 16.5 per cent, and said it intended to exercise its option to increase this to 20 per cent before the end of 1997.

Analysts said the valuation put on the French group suggested a "full" price was being paid by Vodafone for a company of which it was unlikely to gain control. The agreed limit of Vodafone's interest in SFR is 20 per cent. The remainder is owned by a consortium headed by Compagnie Générale des Eaux and which includes Alcatel and Southwestern Bell.

SFR, which last year lost FF1.15bn (FF658m), is the main competitor to France Telecom in the French cellular market. Of the 1.6m subscribers, SFR has about 650,000, with more than three-quarters taking the digital service. Digital is seen as the future medium for the cellular market, giving better reception and more flexibility to offer value added services.

Vodafone will use existing debt facilities to pay for the deal. It recently raised \$500m in the bond market.

Vodafone has two directors on the SFR board and is credited with revamping the company's marketing strategy. The company said the French market, which has a penetration of around 3 per cent against 10 per cent in the UK, holds great potential for expansion. Analysts expect SFR to become profitable by the end of 1997.

SFR will use the Vodafone money to continue expanding its network. It currently has 80 per cent coverage, against 90 per cent for France Telecom's "Itineris" service. A third licensee-holder is due to start operating later this month.

June date for Sun/Royal link approval

Shareholder approval for the merger of Sun Alliance and Royal Insurance, the composite insurers, is expected to be sought in early or mid-June, the companies indicated yesterday, writes Ralph Atkins.

A detailed timetable for the \$6bn (£9bn) link-up is expected to be agreed shortly, following the merger's announcement last Friday. Initial High Court hearings on the proposed deal are expected within the next two or three weeks with extraordinary general meetings for the two companies held about three weeks later.

The two companies are seeking approval from the Department of Trade and Industry, the European Commission and other regulatory organisations in the UK and US.

The merger will be affected by a scheme of arrangement between Royal Insurance and its shareholders. Royal's issued share capital will be cancelled and re-issued to Sun Alliance, which will change its name to Royal Sun Alliance.

A holder of 1,000 Royal Insurance shares will hold 1,067 Royal Sun Alliance shares and a holder of 1,000 Sun Alliance shares will hold 1,000 Royal Sun Alliance shares.

Buoyant Chiroscience seeks £40m in placing

By Simon Kuper

Shares in Chiroscience continued their rise yesterday, climbing 4p to 50p as the biotechnology company presented a bullish statement accompanying its annual results and gave details of a placing and open offer to raise £40.3m (\$61m) net.

The shares have risen by 21p since April 25, when the company published a research and development update. Chiroscience is now valued at £356.5m.

The results for the year to February 29 showed increased pre-tax losses of £11.6m

(£9.23m). Research and development spending rose 39 per cent to £12.1m while sales were up almost threefold to £4.96m (£1.71m).

Chiroscience also announced the acquisition of the pilot-scale development facility of Resolution Chemicals, a subsidiary of E Merck, for £5.5m.

The 10.3m new shares have been conditionally placed at 410p each. The open offer is on a 1-for-7 basis and dealings are expected to start on June 4.

After the placing the company will have about £57m cash. Ms Christine Soden, finance director, said that should last two to three years.

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends		Total for year	Total last year
						Current dividend	Corresponding dividend		
A de Gruchy	47.3 (42.8)	2.17 (0.14)	11.9 (11.4)	4.25	July 10	1.54	6	5.64	15.25
BSkyB	10,255 (8,792)	725 (514)	12.2 (9.2)	4.25	Aug 5	3	3	15.25	2.25
Chiroscience	736.3 (564.9)	177.5 (104.1)	9.73 (6.38)	-	-	-	-	2.25	1.75
Glaxo	4.96 (1.71)	11.8 (9.23)	16.8 (13.8)	-	-	-	-	1.25	2.25
Hammond	15.8 (19.2)	2.74 (1.66)	10.5 (6.7)	1.5	July 1	1.25	2.25	1.75	4.5
Heavenly	0.215 (0.392)	0.234 (1.42)	2.71 (6.8)	-	-	-	-	1.5	2.25
Malvern	4.81 (3.85)	0.942 (0.41)	20.4 (8.1)	2	May 22	1	1	1.5	2.25
Pratt	-	0.043 (0.001)	0.27 (0.01)	-	July 1	2	2	1.5	2.25
Stratton	55.2 (45.6)	0.449 (1.5)	11 (7.3)	-	-	-	-	1.5	2.25

FINANCIAL TIMES

FINANCIAL IZVESTIA

RIIA

A conference convened by
**THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS and
CENTRE FOR FOREIGN INVESTMENT AND PRIVATIZATION**
in association with
FINANCIAL TIMES and FINANCIAL IZVESTIA

London, 20 & 21 May 1996

SESSION 4: ECONOMIC PROGRAMMES OF THE PRESIDENTIAL CANDIDATE PARTIES
Panel discussion with Senior Representatives from the Communist Party of the Russian Federation; the Liberal Democratic Party of Russia; "Our Home is Russia" and "Yabloko"

IMPLICATIONS FOR RUSSIAN FINANCIAL MARKETS
C Grauville, Head of Research, United City Bank

SESSION 5: RUSSIAN CORPORATE SECURITIES
GAZPROM SHARES AND STOCK MARKET: WHAT TO EXPECT
Speaker from Gazprom

DEPOSITORY RECEIPTS: WHY ISSUE?
V Schmidt, Vice President, LUKoil

SURGUTNEFTGAS SECURITIES: TARGETED TO THE WORLD STOCK MARKETS
N Dlschanova, Deputy General Director, Surgutneftgas

INITIAL PUBLIC OFFERINGS: FUTURE PROSPECTS
R Simenian, First Vice-President, Rosneft

SESSION 6: RUSSIAN CORPORATE SECURITIES
UNIFIED ENERGY SYSTEMS OF RUSSIA AND ITS SUBSIDIARIES
A Lopatin, Director, Department of Securities, UES

TELECOMMUNICATIONS: IN NEED OF DEBT AND EQUITY FINANCING
V Boldin, Ministry of Communications, Russia

FINANCIAL AND INDUSTRIAL GROUPS AS INVESTMENT TARGETS
I Ermakova, Chairman of the Board, "Ruschim"

SESSION 7: GOVERNMENT SECURITIES
RUSSIAN CENTRAL BANK AND GOVERNMENT SECURITIES MARKET
A Kozlov, Deputy Chairman, Head of the Securities Department, Central Bank of Russia

GOVERNMENT BONDS: TODAY AND TOMORROW
S Gorbachev, Member of the Board, Alfa-Alliance Bank

MINIFIN BOND MARKET DEVELOPMENT
Y Kondratyuk, Deputy Chairman, International Moscow Bank

SESSION 8: PANEL DISCUSSION - POLITICAL AND FINANCIAL RISKS IN RUSSIA
S Aleksashenko, First Deputy Chairman, Central Bank of Russia
M Umov, Head of the Analytical Directorate in the Russian President's Administration
Prof R Layard, Director, Centre for Economic Performance London School of Economics

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IZVESTIA

COMMODITIES AND AGRICULTURE

Pulp producer forecasts sustained price recovery

By Alison Maitland

Pulp prices will continue to recover and could reach about \$550 a tonne by the autumn...

Mr Van As said that the over-reaction to last year's surge in prices had been "far too violent".

Mr Van As said he believed the price could reach around \$550 by the end of May.

"It wouldn't surprise me if it got to the mid \$600s after the summer, and maybe \$700 by the year end."

the year end. It will rise fairly steadily next year.

"The Sappi chairman said there would be a "big wave" of stocks from pulp producers...

Some mills have shut down for four weeks unannounced because the prices got below the cash cost...

Mr Van As renewed his prediction of last summer that there would be more consolidation of companies in the pulp and paper sector...

capacity coming in in Europe between now and December 1997," he said.

"There will have to be a bit more consolidation in Europe. But it's quite difficult because very few companies have balance sheets which make it possible to do it easily."

That meant mergers were more likely than acquisitions. He pointed out that the global industry was still highly fragmented...

The bidding process closes on May 30.

US feedlots find dear grain hard to swallow

Operating losses mean that many American beef producers may soon be bankrupt

Grain futures on the Chicago Board of Trade have recently been on a rollercoaster ride.

On the face of it there are similarities. But the record of a couple of weeks ago were nowhere near those of 1973 when adjusted for inflation...

At the same time, however, it has created severe problems for an already troubled livestock sector, which has to purchase that grain to feed its animals.

As I travelled across the US a few days ago I learned details of some of those problems.

FARMER'S VIEWPOINT



By David Richardson

of beef cattle in the US far outstrips demand.

It has been estimated that 90m animals is the optimum to supply domestic and export markets.

Hog (pig) farmers are in trouble too. Around 80 per cent of the cost of producing pigs is accounted for by cereal-based feed.

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Copper industry group aims to polish up market statistics

By Kenneth Gooding, Mining Correspondent

A global effort is to be made to identify the reasons international copper market statistics have been unreliable for several years and to develop strategies to improve the reporting of these statistics.

The move comes at a time when many analysts suggest there will be a growing surplus of refined copper - the most heavily traded non-ferrous metal - in the coming months and that this will have a depressing impact on prices.

The United Nations-sponsored International Copper Study Group is organising a short seminar in June to deal with these problems.

ber of copper industry consultants, including Bloomsbury Minerals Economics, Brook Hunt, CRU International, and the World Bureau of Metal Statistics, will take part in the forum...

The ICSG says that for several years statistical agencies have been unable to reconcile the difference between calculated refined copper market supply deficits with obvious changes to copper stocks.

A number of factors have been identified as possible causes including: the availability and accuracy of trade data; incomplete producer and consumer stock statistics; the under-reporting of refined production...

porting of refined production resulting from the use of blister copper and/or copper scrap at brass mills; the over-estimation of consumption; and the lack of uniform interpretation of existing statistical definitions.

Concern about copper market statistics has been increasing this year. The World Bureau admitted in March that its data, used by many international metals analysts, might be wrong after the availability was raised by Bloomsbury Minerals.

Mr Peter Hollands of Bloomsbury pointed out that there was "evidence for systematic error in the data" and "there is a real risk that busy analysts will take the statistics at face value".

Fruit fly found in Auckland

By Terry Hall in Wellington

New Zealand agricultural officials are mounting a full scale eradication drive in Auckland after the discovery of Mediterranean fruit fly.

The pests are seen as a major threat to New Zealand's exports of fresh fruit and vegetables, which were worth NZ\$1.4bn (US\$960m) last year.

MARKET REPORT

Cocoa futures retreat from highs

Light producer selling shaved gains in London Commodity Exchange COCOA futures yesterday afternoon after prices had soared to fresh 21-month highs.

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COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table with columns for metal type, price change, high, low, and open. Includes Aluminum, Zinc, Lead, Tin, and Nickel.

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Table with columns for price change, high, low, and open. Includes Gold, Silver, and Platinum.

GRAINS AND OIL SEEDS

WHEAT LCE (\$ per tonne)

Table with columns for price change, high, low, and open. Includes Wheat, Corn, Soybeans, and Barley.

SOFTS

COFFEE LCE (\$/tonne)

Table with columns for price change, high, low, and open. Includes Coffee, Cocoa, and Sugar.

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000 lbs; cents/lb)

Table with columns for price change, high, low, and open. Includes Live Cattle, Hogs, and Pigs.

MARKET REPORT

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Table with columns for price change, high, low, and open. Includes Cocoa, Coffee, and Sugar.

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ENERGY

CRUDE OIL NYMEX (42,000 US gals; \$/barrel)

Table with columns for price change, high, low, and open. Includes Crude Oil, Heating Oil, and Natural Gas.

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PRECIOUS METALS

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JOTTER PAD advertisement for HP Hewlett Packard.

CROSSWORD

No.9,063 Set by DINMUTZ

Crossword puzzle grid with numbers.

- 1 Dicky the painter (3,3)
2 Pair of tights without milk and sugar (6)
3 Beautiful young woman speed south after city (6)
4 Genial wag's drunk - a Scotsman (10)
5 Extremely popular entertainer in parts sure to excite (6)
6 Drinking qualification, using mug craft? (10)
7 Go out, dressed in gold, for so long (5)
8 Beautiful young woman speed south after city (6)
9 Cromin's doctor does not begin work of dentist (5)
10 Genial wag's drunk - a Scotsman (10)
11 Extremely popular entertainer in parts sure to excite (6)
12 Tells of dramas at election? (6)
13 Bared tumb, prepared for tattoo (6)
14 Snatch eggs from a single nest (6)
15 Conditions of premises? (5)
16 Holder of new pieces in gold (5)
17 Euphonium over border? (4)
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26 Conditions of premises? (5)
27 Holder of new pieces in gold (5)
28 Euphonium over border? (4)

Word search puzzle with grid and words to find.

INTERNATIONAL CAPITAL MARKETS

German sector loses gains on bearish data

By Samer Iskandar in London and Lisa Bransten in New York

German bunds reversed the gains they had made earlier in the day after the release of bearish economic data. Lif's June bond future settled at 96.73, down 0.07 from Monday and more than 0.25 point below the day's high.

French OATs opened slightly higher and traded higher, but fell in line with bunds before the close. Volumes were modest ahead of today's Victory Day holiday.

GOVERNMENT BONDS

Matif's June notional future closed at 122.70, down 0.06. In the cash market, the 7 1/2 per cent OAT due 2006 ended at 105.30, down 0.06. Its yield spread against the 10-year bund was stable at minus 3 basis points.

of economic recovery might soon lead investors to revise expectations that French interest rates are heading lower. He believes French GDP has grown by about 3 per cent (annualised) in the first quarter of 1996 and the "economy is past the bottom of the cycle".

Italian BTPs traded on a positive note most of the day but closed slightly lower. Lif's June BTP future was hit by profit-taking soon after reaching 114.30 and ended the day at 113.81, down 0.13.

"Although much of the good news is priced into the market, the outlook is still positive," said Mr Owens, who expects inflation to continue falling and predicts "imminent fiscal restraint" by the government.

Spanish bonds did not take heart from the central bank's decision to cut its repo rate by 25 basis points to 7.5 per cent. The June future on 10-year bonds ended the day at 98.19, down 0.05, in line with bunds and other European markets.

trading to focus on the monthly meeting between the governor of the Bank of England and the chancellor of the exchequer, although no action on interest rates is anticipated.

US Treasury prices were modestly lower in early trading yesterday as dealers prepared for the afternoon auction of three-year notes. Near-midday, the benchmark 30-year Treasury was down 1/8 at 98% to yield 7.080 per cent and the two-year note down 1/8 at 99% to yield 6.133 per cent.

demand when the Treasury completed its sale of \$19bn in three-year notes. The average yield was expected to be close to the 6.38 per cent the note was trading at yesterday morning in when-issued form.

Rising commodity prices exerted some pressure on the bond market with the Knight Ridder-Commodity Research Bureau index up 1.22 at 258.80 early yesterday.

Strong demand for spate of retail-targeted dollar deals

By Conner Middelmann

After last week's lacklustre dealings, the eurobond market came back to life yesterday, with the US dollar sector being particularly busy.

The recent decline in US Treasury prices has pushed coupon levels there higher, attracting a coupon-hungry retail investor base. Short-dated bonds, preferred by retail investors, now offer a pick-up of around 30 basis points over D-Mark or Swiss franc paper.

INTERNATIONAL BONDS

In the two-year sector, General Motors Acceptance Corp issued \$200m of 6.5 per cent bonds targeted at European retail accounts, which have grown increasingly comfortable with the borrower since its upgrade last autumn, said lead manager Paribas Capital Markets.

"We've seen European investors looking for spread product with two-year maturities, and after recent triple-A rated two-year deals, the GMAC offering saw good interest," a syndicate

official said. Nevertheless, the yield gap widened from 22 basis points over Treasuries at launch to 25 basis points. Another short-dated deal targeted at European retail was the Kingdom of Sweden's \$250m of 6.25 per cent bonds priced at 10 basis points over Treasuries. Since the bond matured in December 1995 but was priced off the Treasury due April 1996, dealers said the pricing was aggressive; indeed, the spread over Treasuries widened from 10 to 13 basis points. However, lead manager Daiwa was confident that the issue would perform well, helped by its sovereign status.

Meanwhile, Bayerische Vereinsbank is set to issue \$500m of five-year bonds today with a likely spread of around 20 basis points over Treasuries, via J.P. Morgan and Paribas. Toyota Credit is expected to launch \$750m of five-year eurobonds at 16-18 basis points over Treasuries this week.

Moody's Investors Service yesterday placed the triple-A senior long-term debt ratings

of France Telecom under review for possible downgrade after the government released a draft bill that incorporates a proposed change in its legal

status to that of a corporation subject to common law. Standard & Poor's placed its A-1+ short-term debt rating of Midlands Electricity on Credit-

Watch with negative implications following the announcement of an agreed £1.73bn takeover group by General Public Utilities, of the US.

Watch with negative implications following the announcement of an agreed £1.73bn takeover group by General Public Utilities, of the US.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for US DOLLARS, EURO, and other international bonds.

WORLD BOND PRICES

Table of benchmark government bonds for Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Sweden, UK Gilts, and US Treasury.

US INTEREST RATES

Table showing interest rates for Treasury bills and bond yields across various maturities.

BOND FUTURES AND OPTIONS

Table of bond futures and options for France, Germany, and UK Gilts, including price, bid, offer, and open interest.

FT-ACTUARIES FIXED INTEREST INDICES

Table of fixed interest indices for UK Gilts, including price, bid, offer, and open interest.

FT FIXED INTEREST INDICES

Table of fixed interest indices for various countries and maturities.

FT/ISMA INTERNATIONAL BOND SERVICE

Table of international bond service listings, including issuer, amount, coupon, price, maturity, fees, spread, and book-runner.

GILT EDGED ACTIVITY INDICES

Table of gilt edged activity indices for various maturities and coupon rates.

OTHER FIXED INTEREST

Table of other fixed interest instruments, including issuer, amount, coupon, price, maturity, fees, spread, and book-runner.

Facility unveiled to fund Midlands Electricity bid

By Antonio Sharpe

Pent-up demand among banks to gain exposure to the UK electricity sector, widely seen as one of the strongest corporate credits in the syndicated

elsewhere, the disappointing syndication of the £2.35bn facility for Railtrack has hardened the view held by many bankers that pricing in the syndicated loans market has bottomed out. "There are straws in the wind which suggest that things are not going as well as they were three or four months ago," said one banker.

SYNDICATED LOANS

loans market, was partially satisfied yesterday when a £1.5bn loan was unveiled to finance the takeover of Midlands Electricity by General Public Utilities and Cinergy Corp of the US.

The five-year loan, which is jointly underwritten by BZW and Chase, makes up for the disappointment felt in the market last week when two large acquisition financings for National Power and PowerGen were withdrawn following the UK government's decision to block their bids for two regional electricity companies.

Because the bid for Midlands is agreed, bankers are confident this loan will not slip through their hands. Pricing is 75 basis points over London interbank offered rate, reflecting its being a non-recourse facility, a structure used by fellow Americans Southern Company and Central and South West when they took over Swab and Seaboard respectively.

The structure means banks lending the money to finance the takeover will have recourse only to the special purpose vehicle set up to hold Midlands' assets, and not the companies making the acquisition. BZW and Chase expect to start sub-underwriting the loan by the end of the week and in view of the number of calls they have had from other banks wanting to participate in the loan, it should be a straightforward task.

Bankers are also waiting to see how Standard Capital's \$600m seven-year facility progresses in view of its five margin over Libor of 17.5 basis points for the first five years, rising to 22.5 basis points for the last two. Den Danske Bank and Enskilda are the arrangers.

However, since the pipeline of new transactions is slowing down but banks are still keen to lend, competition to win mandates remains fierce.

At least six individual banks or groups of banks are believed to have bid to arrange a \$100m five-year to seven-year refinancing for Trans-Tunisian Pipeline Company at a margin over Libor of about 20 basis points. TTPC is regarded as a high-quality Italian credit because the loan is secured on a payment agreement from Snam, the gas pipeline subsidiary of Eni, the Italian energy group.

UK GILTS PRICES

Table of UK Gilts prices, including bid, offer, and open interest for various maturities.

Other Fixed Interest

Table of other fixed interest instruments, including issuer, amount, coupon, price, maturity, fees, spread, and book-runner.

DEUTSCHE MARK STRAIGHTS

Table of Deutsche Mark straight bonds, including issuer, amount, coupon, price, maturity, fees, spread, and book-runner.

CONVERTIBLE BONDS

Table of convertible bonds, including issuer, amount, coupon, price, maturity, fees, spread, and book-runner.

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CURRENCIES AND MONEY

MARKETS REPORT

Peseta and krona stable after interest rate cuts

By Graham Bowley

The Spanish peseta and the Swedish krona held firm on the foreign exchanges yesterday following cuts in key money market interest rates in both countries.

The D-Mark staged a small rally against the dollar after stronger than expected economic figures cooled speculation of further cuts in German interest rates.

The dollar's weakness was exacerbated by heavy losses in US government bond and equity markets fuelled by expectations of higher US interest rates.

The Australian dollar continued its recent rally although analysts said its rise may be running out of steam.

The pound was stable ahead of today's monthly monetary meeting between the chancellor and the governor of the Bank of England. No change in interest rates is expected.

The dollar finished in London at Y104.985 from Y104.8 at the previous close. Against the D-Mark, it finished at DM1.529, from DM1.526.

The D-Mark closed against the yen at Y89.03, up from Y88.63.

The peseta closed at Pt88.3 against the D-Mark, from Pt88.34. The Swedish krona ended at SKr4.48 against the D-Mark, from SKr4.48.

Sterling finished almost unchanged against the D-Mark at DM2.289. Against the dollar, it closed at \$1.5113, from \$1.507.

The Bank of Spain's latest 25 basis points cut in its key money market rate to 7.5 per cent was interpreted by many analysts as an endorsement of Spain's new government, which was sworn in at the weekend, ahead of an expected cost-cutting budget due later this week.

According to analysts at 4CAST, the financial analysis consultancy, the latest cut - along with Monday's reserves cut - which showed a large 44bn rise in April's balances - was "clearly an attempt by the authorities to use a combination of interest rates and intervention to stem peseta gains".

Analysts said this comes amid the suspicion that the authorities are targeting a central rate of Pt86.07 against the D-Mark in the European exchange rate mechanism.

The Swedish central bank reduced its repo rate by 20 basis points to 6.70 per cent, the tenth cut this year.

Analysts said the move indicated the Riksbank's lack of concern about the krona's recent appreciation. They said that scope for further interest rate cuts still remained.

The krona has appreciated strongly against the D-Mark in recent months, benefiting from speculation that Sweden might eventually be a member of a future European monetary union and from foreign investment flows into European high-yielding markets.

But Mr Kit Kjus, currency analyst at NatWest Markets in London, said the krona was now vulnerable to any revival in the D-Mark's fortunes.

He said the D-Mark yesterday took heart from stronger than expected industrial orders figures, which, following Monday's relatively good unemployment figures, added to speculation that the German economy may be growing more strongly than most economists had earlier thought.

This in turn eased expectations of further cuts in the German repo rate and other key official interest rates.

Mr Chris Turner, currency strategist at BZW in London, said: "This data is keeping talk of recovery going which is helping to stabilise the D-Mark".

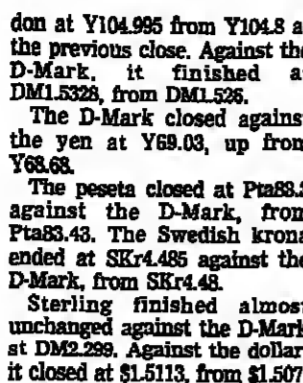
But he said that interest rates would have to be eased in order to offset the tight fiscal stance Germany would need to adopt in order to satisfy the Maastricht criteria for Euro.

The pound put in another good performance. It now appears to have stabilised following last week's volatility surrounding the UK local elections.

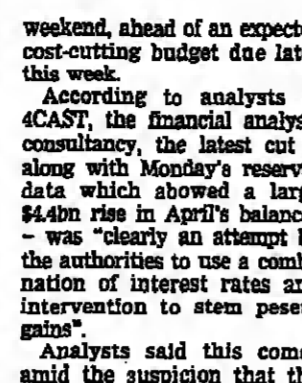
Attention in the UK is now turning to tomorrow's industrial production figures, which are expected to show further weakness in manufacturing.

Analysts at UBS in London believe the pound will continue under pressure as investors begin to focus on the UK's poor manufacturing performance and the implications this has for the current account while import demand is strong.

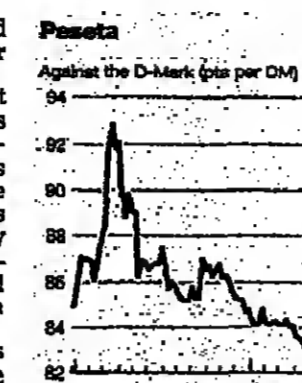
They said the pound would reach a low against the D-Mark in November but that it would then recover following a victory for the opposition Labour party in the general election.



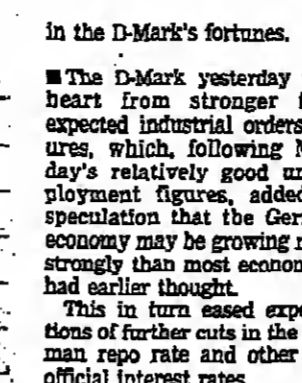
Source: Reuters



Source: Reuters



Source: Reuters



Source: Reuters

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Country, Currency, Closing mid-point, Change on day, Bid/offer spread, Days' bid low, One month rate, Three months rate, One year rate, Bank of England rate.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Country, Currency, Closing mid-point, Change on day, Bid/offer spread, Days' bid low, One month rate, Three months rate, One year rate, JP Morgan index.

EURO CURRENCY FUTURES RATES

Table with columns: Currency, Contract, Bid, Offer, Change, High, Low, Est. vol, Open Int.

THREE MONTH STERLING FUTURES (LFFE) DM1m points of 100%

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO CURRENCY FUTURES (LFFE) DM100m points of 100%

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

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Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO CURRENCY FUTURES (LFFE) DM100m points of 100%

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table with columns: Country, Currency, Bid, Offer, Change, High, Low, Est. vol, Open Int.

D-MARK FUTURES (D-M) DM 125,000 per DM

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

SWISS FRANK FUTURES (S-M) SF 125,000 per SF

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

UK INTEREST RATES

LONDON MONEY RATES

Table with columns: Instrument, Bid, Offer, Change, High, Low, Est. vol, Open Int.

UK closing bank base lending rate 5 per cent from March 8, 1996

Table with columns: Term, Rate

Cuts of 10p dep. @100,000

Table with columns: Term, Rate

THREE MONTH STERLING FUTURES (LFFE) DM100m points of 100%

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

SHORT STERLING OPTIONS (LFFE) DM100m points of 100%

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

BASE LENDING RATES

Table with columns: Bank, Rate

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Country, Currency, Bid, Offer, Change, High, Low, Est. vol, Open Int.

JAPANESE YEN FUTURES (M-M) Yen 12.5 per Yen 100

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

STERLING FUTURES (M-M) DM 125,000 per DM

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

NON-EMU MEMBERS

Table with columns: Country, Currency, Bid, Offer, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO CURRENCY FUTURES (LFFE) DM100m points of 100%

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

US TREASURY BILL FUTURES (M-M) \$1m per 100%

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

EURO CURRENCY OPTIONS (LFFE) DM1m points of 100%

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

EURO CURRENCY OPTIONS (LFFE) DM100m points of 100%

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EURO CURRENCY OPTIONS (LFFE) DM100m points of 100%

Table with columns: Date, Open, Settle, Change, High, Low, Est. vol, Open Int.

MEMBERS OF LONDON FOREIGN EXCHANGE ASSOCIATION

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MEM

Handwritten scribble at the top center of the page.

Vertical text on the left edge, partially cut off, including 'Vodafone' and 'SFR'.

LONDON SHARE SERVICE

INVESTMENT COMPANIES

Table listing investment companies with columns for company name, price, and change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for trust name, price, and change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for company name, price, and change.

LEISURE & HOTELS - Cont.

Continuation of the Leisure & Hotels table.

OTHER FINANCIAL

Table listing other financial companies with columns for company name, price, and change.

LEISURE & HOTELS

Continuation of the Leisure & Hotels table.

OTHER FINANCIAL - Cont.

Continuation of the Other Financial table.

PROPERTY

Table listing property companies with columns for company name, price, and change.

PROPERTY

Continuation of the Property table.

PROPERTY - Cont.

Continuation of the Property table.

PROPERTY

Table listing property companies with columns for company name, price, and change.

PROPERTY

Continuation of the Property table.

SUPPORT SERVICES - Cont.

Continuation of the Support Services table.

SUPPORT SERVICES

Table listing support services companies with columns for company name, price, and change.

SUPPORT SERVICES

Continuation of the Support Services table.

AMERICANS - Cont.

Continuation of the Americans table.

AMERICANS

Table listing American companies with columns for company name, price, and change.

AMERICANS

Continuation of the Americans table.

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Table listing American companies with columns for company name, price, and change.

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Table listing American companies with columns for company name, price, and change.

AMERICANS

Continuation of the Americans table.

Templeton advertisement featuring a duck logo and text: 'Seeking out under-valued investments across the globe, Templeton have become experts in spotting potential swans. HOW TO INVEST THE TEMPLETON WAY. AS EXPLAINED BY THE UGLY DUCKLING. Now you can share the investment principles which Templeton consider to be of enduring value to investors. For your copy of the Templeton Maxims: '10 Principles for Investment Success', please call Free, during office hours on 0800 27 27 28.' Includes the Templeton logo.

GUIDE TO LONDON SHARE SERVICE. A detailed guide explaining the service, including information on prices, dividends, and how to use the data. It includes a list of abbreviations and a note about the FT Free Annual Reports Service.

FT Free Annual Reports Service. A promotional notice stating: 'You can obtain the current annual report of any company associated with FT. Please quote the code FT216. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability. Both Annual Reports and FT Company Focus are available from the above number. FT Company Focus: Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for 25.45. To order, call 0121 200 4874. Reports published by ShareFinder Ltd. FT Cityline: Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. An international service is available for callers outside the UK, annual subscription £250 ssp. Call 0171 678 4978 for more information on FT Cityline. For readers phoning from outside UK, please dial +44 in place of the first 4. The share prices printed on these pages are also available on the Internet at www.FT.com.'

Vertical text on the left edge, including 'Financial Times' and 'FT' logo.

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4373 for more details.

Main table containing various fund listings with columns for fund names, prices, and performance metrics. Includes sub-sections for 'OTHER OFFSHORE FUNDS' and 'OFFSHORE INSURANCES'.

Vertical text on the left margin containing various news snippets and advertisements.

MANAGED FUNDS NOTES: A detailed disclaimer and information section regarding the fund service, including contact details and legal notices.

LONDON STOCK EXCHANGE

MARKET REPORT

Shares on the slide despite latest takeover talk

By Steve Thompson, UK Stock Market Editor

A burst of fresh bid speculation, focused mainly on Lucas, Pearson and a handful of smaller stocks, promoted a brief renewal of the "feel-good factor" in the UK market.

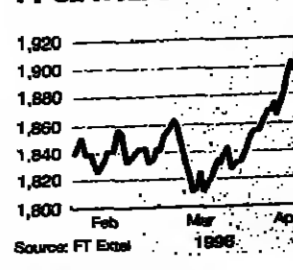
pressure ahead of a series of US bond auctions, starting yesterday with \$19bn worth of three-year and 10-year and 30-year notes.

Sun Alliance, that announced their big \$5.4bn merger last Friday. There was much better news for investors in the second liners, where the FT-SE Mid 250 index shrugged off the US-inspired worries of the leaders and responded instead to a renewed burst of takeover speculation.

There were plenty of bullish stories in the market, however. Lucas, the motor components group, shot forward to top the FT-SE Mid 250 performance league after the company announced that it was involved in discussions with Varty.

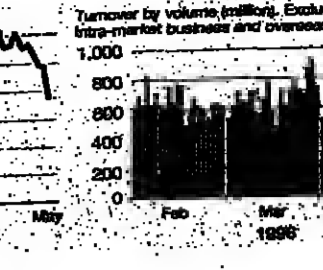
of the US, about potential links. Pearson was another stock to attract takeover speculation, as were a handful of the second liners and smaller stocks.

FT-SE-A All-Share Index



Source: FT Econ

Equity shares traded



Turnover by volume (millions). Excluding inter-market business and overseas buying

Indices and ratios table with columns for Index Name, Value, Change, and Ratio.

Best performing sectors table listing sectors like Engineering, Vehicles, and Extractive Industries with their respective values and changes.

FT Ordinary Index table with columns for Index Name, Value, Change, and Ratio.

Worst performing sectors table listing sectors like Gas Distribution, Tobacco, and Insurance with their respective values and changes.

Bid talk revives Pearson

Speculation appears to be gathering that something could be about to happen at Pearson.

Shares in the media conglomerate, which owns the Financial Times, were the best performers in the Footsie, in spite of last week's profits warning.

of the longest running takeover stories in the history of the City. Large sections of the market see a link with Varty as a poison pill."

According to one dealer, the duck shot had begun to lose its appeal. The small rise in the price of Midlands Electricity, following news of an agreed £1.7bn bid by General Public Utilities and CInergy Corp.

by Kleinwort, firmed % to 113%. A squeeze left Kwik Save 11 better at 44p.

As another regional electricity group bit the dust, analysts were adjusting valuations for the remaining five independents.

United, the football club which won the UK premier league championship on Sunday. The shares fell 17 to 36p.

The poor market trend saw Bank Organisation reverse an earlier move, rather than to the first quarter figures which most analysts said were in line with forecasts.

Media reports alleging that Harvey Nichols unexpectedly increased rents of concession holders before its recent flotation resulted in it retreating 8 to 90p.

Glaxo Wellcome lost 21 at 77p on vague patent expiry concerns. And British Biotech, the sector's worst performer, leapt another 70p to break through the 200p share barrier and close at 305p.

Sainsbury dips

Nervous selling of J. Sainsbury ahead of today's final figures saw the shares relinquish 5 to 357p in trade of 3m.

of the longest running takeover stories in the history of the City. Large sections of the market see a link with Varty as a poison pill."

As another regional electricity group bit the dust, analysts were adjusting valuations for the remaining five independents.

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FUTURES AND OPTIONS

Table for FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point, showing Open, High, Low, and Change for various months.

Table for FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point, showing Call and Put prices for various months.

Table for EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point, showing Call and Put prices for various months.

MARKET REPORTERS

Peter John, Joel Kibzox, Jeffrey Brown, Lisa Wood.

TRADING VOLUME

Table of Major Stocks Yesterday showing Volume, Closing Price, and Daily Change for various companies.

LONDON RECENT ISSUES: EQUITIES

Table of London Recent Issues: Equities listing company names, prices, and changes.

FT GOLD MINES INDEX

Table of FT Gold Mines Index showing index value, change, and components.

FT-SE Actuaries Share Index

Table of FT-SE Actuaries Share Index showing index value, change, and components.

FT-SE Actuaries All-Share

Table of FT-SE Actuaries All-Share showing index value, change, and components.

NON-FINANCIAL SHARES

Table of Non-Financial Shares showing index value, change, and components.

FINANCIAL SHARES

Table of Financial Shares showing index value, change, and components.

HOURLY MOVEMENTS

Table of Hourly Movements showing index values at different times of the day.

FT-SE Actuaries 350 Industry Baskets

Table of FT-SE Actuaries 350 Industry Baskets showing index values for various industry sectors.

Financial Publishing advertisement with large vertical text and contact information.

Insurance advertisement titled 'INSURANCE' with text about complexity and benefit of key industry issues.

FT-SE Actuaries Share Index table with multiple columns for various indices and components.

Handwritten note: 'Lecture 15/5/96'

Handwritten scribble at the top center of the page.

WORLD STOCK MARKETS

Main table of world stock markets including sections for EUROPE, ASIA, OCEANIA, AMERICA, and AFRICA. Each section lists various stock indices and individual company shares with their respective prices and changes.

Advertisement for Rockwell, featuring the text 'Communications systems produced by Rockwell Defence Electronics are used by the US government, NATO and more than 60 other countries around the globe' and the Rockwell logo.

Table of financial indices and market data, including sections for INDICES, US INDICES, and TOKYO - MOST ACTIVE STOCKS. It provides a summary of market performance across different regions and sectors.

Footnote and disclaimer text at the bottom of the page, including 'FT FINE ANNUAL REPORTS SERVICE' and '© Copyright 1996 by Financial Times Ltd.'.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Survival course. If the business decisions are yours, the computer system should be ours. http://www.hp.com/so/computing HEWLETT PACKARD

Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page' and 'T'.

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'T' and 'U'.

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'U', 'X-Y-Z', and 'A-M'.

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'A-M' and 'N-Z'.

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'N-Z' and 'A-M'.

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'A-M' and 'N-Z'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'A-M' and 'N-Z'.

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'N-Z' and 'A-M'.

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'A-M' and 'N-Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'A-M' and 'N-Z'.

Table of AMEX stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'N-Z' and 'A-M'.

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Advertisement for Germany with text: 'Have your FT hand delivered in Germany. Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day. Hand delivery services are available for subscribers in all major cities throughout Germany. Please call 01 30 53 51 (Toll Free) for more information. Financial Times, World Business Newspaper.'

AMERICA Bears on top on downgrade, fall in bonds

Wall Street The bears held sway on Wall Street as US shares continued their string of declines in mid-session trading on the heels of similar losses on the bond market, writes Lisa Branstetter in New York.

bonds remained unchanged at 50 per cent. Smith Barney made a similar move on Monday and Morgan Stanley lowered the equity portion of its model portfolio last week.

At 1 pm the Dow Jones Industrial Average was off 41.55 at 5,422.78. The Standard & Poor's 500 fell 3.21 to 597.50 and the American Stock Exchange composite slipped 2.14 to 566.96. NYSE volume was 231m shares.

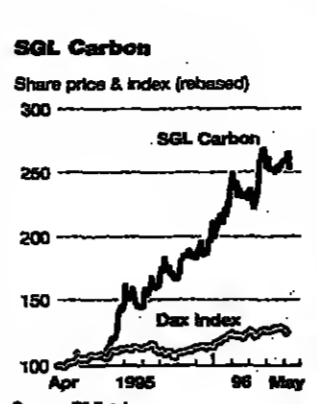
Morgan rates Mexico

Morgan Stanley has recommended buying Latin American equities on weakness generated by rising US interest rates.

mid-session as investors were encouraged by the likelihood of the Supreme Court lifting an injunction, issued last month, which temporarily suspended voting on social security reforms.

EUROPE Varied response to shareholder value initiatives

Questions of shareholder value were widely discussed, and occasionally proved significant in share price terms. But for once FRANKFURT seemed inclined to put pragmatism before enthusiasm.



However, Unilever managed to impress with its chairman's comments that the benefits of its European restructuring programmes were now showing through. The shares finished 21.60 higher at FL243.90.

winner's list, rising DM9.50 or 4 per cent to DM248.50. PARIS was more enthusiastic about financial engineering. Saint-Gobain said that it had agreed to buy Pollet, the building materials group, from Paris in a deal which could cost up to FF115bn; the share price rose by FF11 to FF619, FF27 to FF551 and FF9.30 to FF313.30 respectively.

ASIA PACIFIC Weak exporters keep Nikkei on downward path

Tokyo Export-oriented stocks led the way down as the Nikkei lost 138.20 to 12,477.33. The three-day losing streak on Wall Street discouraged investors, as did the rise in US long-term interest rates to the 7 per cent level.

builders, said traders, reflected an institutional shift out of large-capital stocks and into medium and small-capital issues. Mitsubishi Heavy Industries lost Y7 to Y922 and NKKI fell Y5 to Y383.

FT-SE Actuaries Share Indices

Table with columns: Hourly changes, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows include FT-SE Actuaries 100, FT-SE Actuaries 200, and FT-SE Actuaries 300.

THE EUROPEAN SERIES

Table with columns: Hourly changes, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows include FT-SE Europe 100, FT-SE Europe 200, and FT-SE Europe 300.

MILAN, too, finished off its best. The Comit index rose 3.23 to 660.23, while the real-time Mibtel index turned back from a high of 10,566 to end 47 ahead at 10,504.

STOCKHOLM was pressured by weaker opening prices on Wall Street for Ericsson and Astra, and the AERs widened. The General index declined 12.4 to 1,954.4.

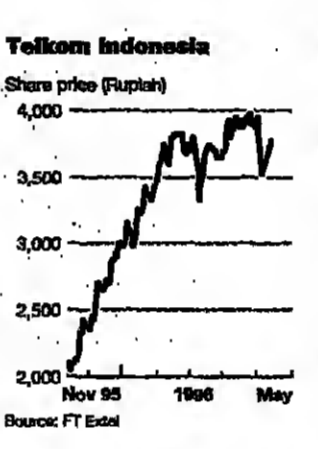
Among the day's movers, General jumped L831 to L39,177 as the insurer announced a one-for-10 scrip issue and a higher 1995 dividend. Olivetti rose L32 to L983.7 as trade unions wrote to the caretaker prime minister

Roundup

Reactive stocks went well for the second successive day in SYDNEY. CRA put on 33 cents at A\$1.90 and BHP 15 cents at A\$19.93, while the All Ordinaries index finished 11.1 higher at 2,308.3, with the mining sector up 17.0 or nearly 1.6 per cent at 1,114.8.

SEATTLE closed at a high for the year as investors overlooked most blue chips to focus on mid-cap and individual theme backed stocks. The composite index rose 12.75 to 866.85 in volume of 63.2m shares.

Telkom Indonesia



moved ahead 14.17 to 613.84. But while the telecoms major lifted both broad market sentiment and activity, it was out-

shone by the second-liner Panasia Indosyter, which soared Rp225 or 17.9 per cent to Rp625 on its plans to acquire its fellow textiles company, PT Panasia Interil.

Royal rose 10 cents to \$83.90. The broader market was mixed in leathargic trade and the Straits Times Industrial index finished 4.53 lower at 2,396.15.

moderate turnover. The inflation rate slowed to 11.3 per cent in April from 11.8 per cent in March. The oil refiner Petron rose a net 40 centavos or 4.25 per cent to 9.80 pesos after it went ex a 25 per cent stock dividend.

MARKETS IN PERSPECTIVE

Table showing market performance by region: Australia, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK, EUROPE, Canada, USA, Mexico, South Africa, and WORLD INDEX.

S African industrials off highs

Industrial shares in Johannesburg slipped off the day's highs, weighed down by profit-taking, but gold issues ended near their best levels, helped by foreign buying, firm bullion and a recommendation

from Morgan Stanley advising investors to increase their exposure to the stocks from zero to 3 per cent. The overall index gained 11.6 at 6,876.2, industrials 18.0 at 6,143.4 and the golds index 23.3 at 1,956.0.



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